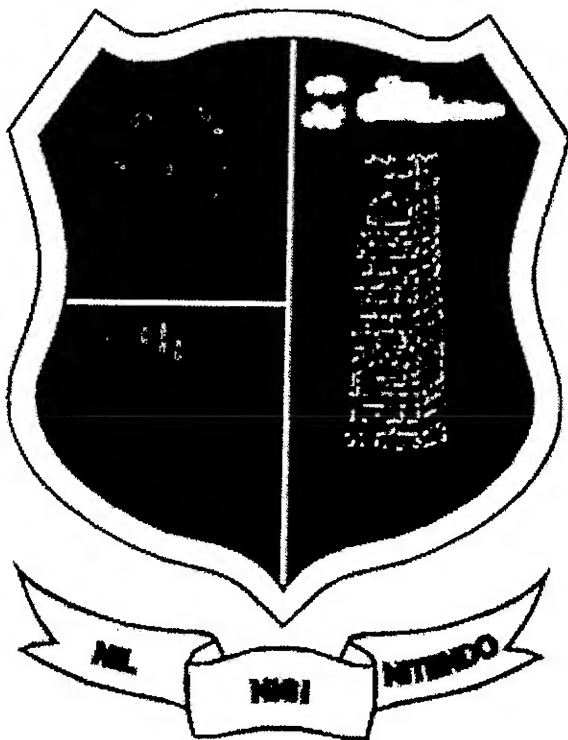


2014/15

ANNUAL REPORT



NKONKOBEMUNICIPALITY

Chapter 1

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

It is great pleasure to present the 2014/15 Annual Report for Nkonkobe Local Municipality. This is the final annual report for the current Council of Nkonkobe Local Municipality. As a municipality, we continue to demonstrate a tireless commitment to making a difference in the lives of ordinary people; furthermore, we have also shown continuous progress over the past year with regard to reaching the set annual targets and building on a strong and effective administration.

As we enter the final year of our term of office as this council, we are reminded of the fact that, at the beginning of the current term this council was alerted to the need to surmount the triple challenges such as poverty, unemployment and inequality. It is important to note that ‘development is not an event but a process’ which requires multiple resources and effective leadership. There is a dire need to position the institution to address these challenges into key drivers of our service delivery programme e.g. Expanded Public Works Programme, Technical Unit, LED initiatives seek to address these challenges. We can also reflect back with pride on what has been achieved in this financial year and the past 4 years.

It is always a daunting task to provide complete account on the responsibilities conferred upon us by the electorate. Most significantly, we do so being quite conscious of the fact that the general public deserves its rightful place at the pinnacle or apex of the ‘accountability chain’.

The format and content of this Annual Report is largely prescribed by section 46 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) and sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003). Both pieces of legislation compel the municipality to prepare an Annual Report for each financial year and the Mayor to table such a report in Council within seven months after the end of each financial year.

In presenting this Annual Report, the municipality sets out the performance highlights and financial management for the 2014/15 financial year. Furthermore, this report is the culmination of the implementation of the Councils adopted Integrated Development Plan, Budget, and Service Delivery and Budget Implementation Plan. In essence, this report is an account of Nkonkobe Municipality’s achievements in the year under review, and as with any rigorous instrument it also assists in identifying our successes and shortcomings. This report is therefore intended to attest to the collective efforts of the administrative and political arms of the municipality to progressively address the expectations of our communities.

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municipality hasn't regressed in contrast to the last two financial years. Measures are in the process of being implemented to address matters raised by the Auditor General of South Africa (AGSA). The Executive Committee will collectively continue to monitor and hold the administration accountable for commitments made to communities, and the implementation of corrective measures to address findings raised by the AGSA.

In realising our mission, as a municipality, we recognise the need to foster partnership across all spheres of government, also with institutions of higher learning within our municipal area, and also to nurture our partnership with our stakeholders and communities so as to remain relevant and accessible to our stakeholders. The work we are doing to transform the municipality spatially and economically also requires commitment to the citizens of Nkonkobe, that they are not inert observers or passive recipients of government services but rather active partners in shaping future of the municipal area.

During the year under review, the Municipal Demarcation Board has since recommended the redetermination of Nkonkobe Local Municipality and that of Nxuba Local Municipality. This redetermination was invoked by proposals that the Board received from Minister of Cooperative Governance and Traditional Affairs, Mr. Pravin Gordan (in terms of section 22 (2) of the Municipal Demarcation, Act 27 of 1998) requesting the Board to consider re-configuration of boundaries of certain municipalities before 2016 local government Elections. This redetermination affected Nkonkobe Local Municipality, as it is proposed that it should merge with Nxuba Local Municipality. The municipal Council and Nkonkobe inhabitants accept this process and are geared up for the merge. Furthermore, the municipality will continue to support the merger process till its finalisation.

In conclusion, there's no doubt that this will be a useful document for Councillors, Staff, Stakeholders, and more importantly, community at large, as we strive to continuously improve our services to the people of Nkonkobe.

On behalf of the municipality council, we would like to take this opportunity to thank all the councillors who worked shoulder to shoulder with the administrators to ensure that we [all] live up to the expectations of our broader community. We quite certain that even after the current Council has vacated office this institution will continue to build on the reputation established, of a distinctive municipality for high quality, adherence to policy and legislation and most of all total commitment to the community that we serve.



A.W. NTSANGANI
MAYOR

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COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

This annual report is regulated by section 46, of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) – as amended, and section 121 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003).

Section 46 (1) of the Local Government: Municipal Systems Act dictates that *"A municipality must prepare for each financial year a performance report reflecting –*

- *The performance of the municipality and of each external service provider during the financial year;*
- *A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*
- *Measure taken to improve performance.*

(2) *An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Local Government: Municipal Finance Management Act (MFMA) 2003 (Act 56 of 2003)"*

Section 121 of the MFMA states that:

- (1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.
- (2) The purpose of annual report is-
 - To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
 - To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
 - To promote accountability to the local community for the decisions made throughout the year by the municipality and municipal entity.

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Subsections (3) and (4) continue to prescribe the contents of the annual reports for both the municipality and municipal entities. During the oversight process, to which the draft and final Annual Report will be subjected, compliance with these legislative requirements will be analysed.

Nkonkobe Local Municipality is a Category B municipality and its powers and functions are assigned to it in terms of section 155 and 156 of the Constitution of the Republic of South Africa, 1996, and of the local government matters referred to in Parts B of Schedules 4 and 5. Chapter 3 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), and its Regulations, also describe the powers and functions of municipalities. The executive and legislative authority of a municipality is described, as well as, the development and implementation of by-laws to give effect to its policies and to support its strategies.

The municipality has continued to maintain the effective operation of the following areas:

- the 2014/15 IDP and budget implementation processes was adopted within the prescribed timelines,
- the SDBIP was developed to integrate the IDP and the budget and to ensure effective implementation of the institutional programmes and strategies,
- performance agreements were also developed, signed and approved by Mayor as required by the Municipal Planning and Performance Regulations, 2001 and 2006,
- Quarterly performance reports with supporting evidence were prepared by managers directly reporting to the Municipal Manager.
- Annual Financial Statements and Annual Performance Report were submitted to Office of the Auditor General within the prescribed timelines.
- Nkonkobe Economic Development Agency performed quite well in the financial year that is under review, with the implementation of their key projects such as i.e. Block yard and Mechanisation Unit and a number of projects on the pipeline such as, Service Seta and Construction of Skills Development Centre in Alice.

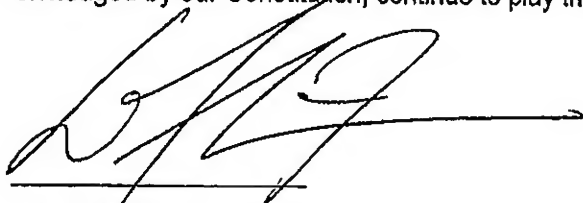
The roads rehabilitation and upgrades continues to form the backbone of infrastructural revitalisation. Some work in the current financial year has been done, both in urban and rural strip. We are however mindful that in spite of our determination, factors beyond our control continues to frustrate our efforts to

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ensure a decent road network system to all in our communities. The same can also be attributed to the electrification programme of the municipality.

In spite of all, a solid institutional platform has been built on which to enhance service delivery priorities. As a municipality, we have improved the level of public participation in municipal governance, and we continue to strive to improve our customer service delivery standards.

Lastly, I would like to sincerely express gratitude to His Worship (Mayor A. Ntsangani), and his Executive Committee and other Councillors for their visionary leadership they have provided to Council in the past year. I would also like to extend words of appreciation to Senior Management Team who has led their departments in a manner which ensures that we realise our mission of Nkonkobe Municipality. Sincere regards to our major stakeholders, ward committees and members of the community who, as envisaged by our Constitution, continue to play their role in the affairs of our municipality.



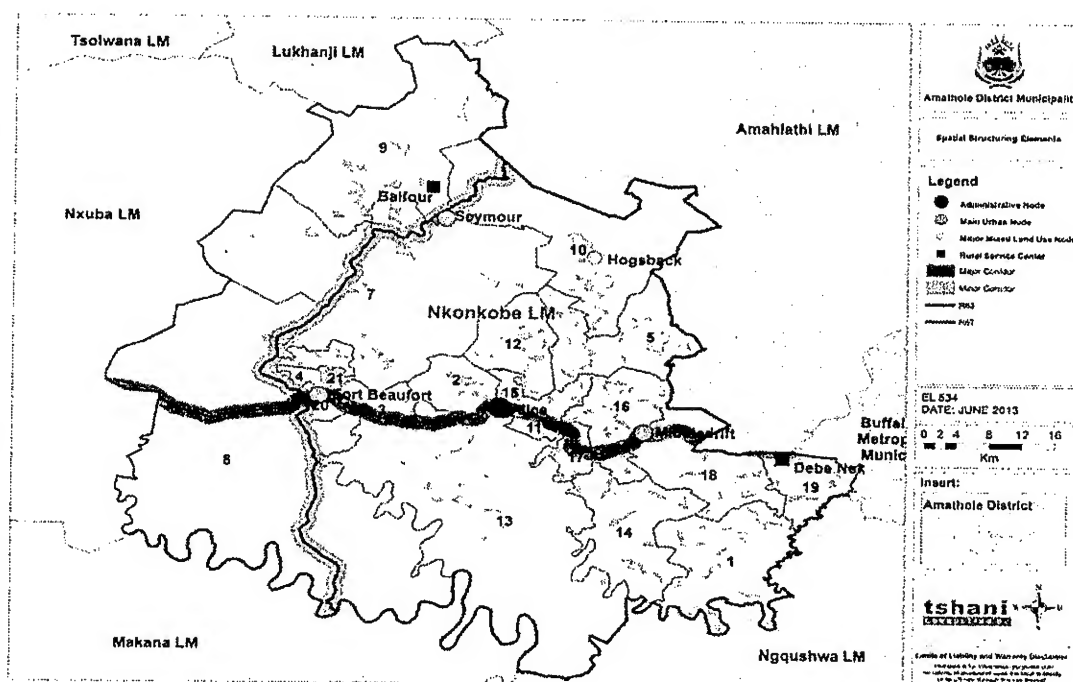
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ACTING MUNICIPAL MANAGER

Chapter 1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Nkonkobe Municipality was established in 2000 and is made of now disestablished Transitional Local Councils of Alice, Middeldrift, Fort Beaufort, Hogsback and Seymour/Balfour. Alice is a legislative seat and Fort Beaufort is the administrative seat, the latter is situated about 140km North West of East London on the R63 and is approximately 200km North East of Port Elizabeth. The municipality is the second largest local municipality covering 3 725 km², and constituting 16% of the surface area of the Amatole District Municipality. Nkonkobe municipality is a countryside municipality that sits on the foot of the ever imposing and majestic mountain range of the Winterberg (Intaba ze Nkonkobe). The municipal head-offices are located in Fort Beaufort (as already indicated above) and the council meetings and other standing committee meetings are convened at Alice. The municipality has the following administrative – Middeldrift, Hogsback, Alice, and Seymour.



The Nkonkobe Municipality is situated along the southern slopes of the Winterberg Mountain range and escarpment, and is within the greater Amathole District Municipality in the Province of the Eastern Cape. The municipal area covers approximately 3 725 km², with major towns being Alice, Fort Beaufort and Middeldrift. Smaller settlements include Hogsback, Seymour, Balfour, Blinkwater and Debenek.

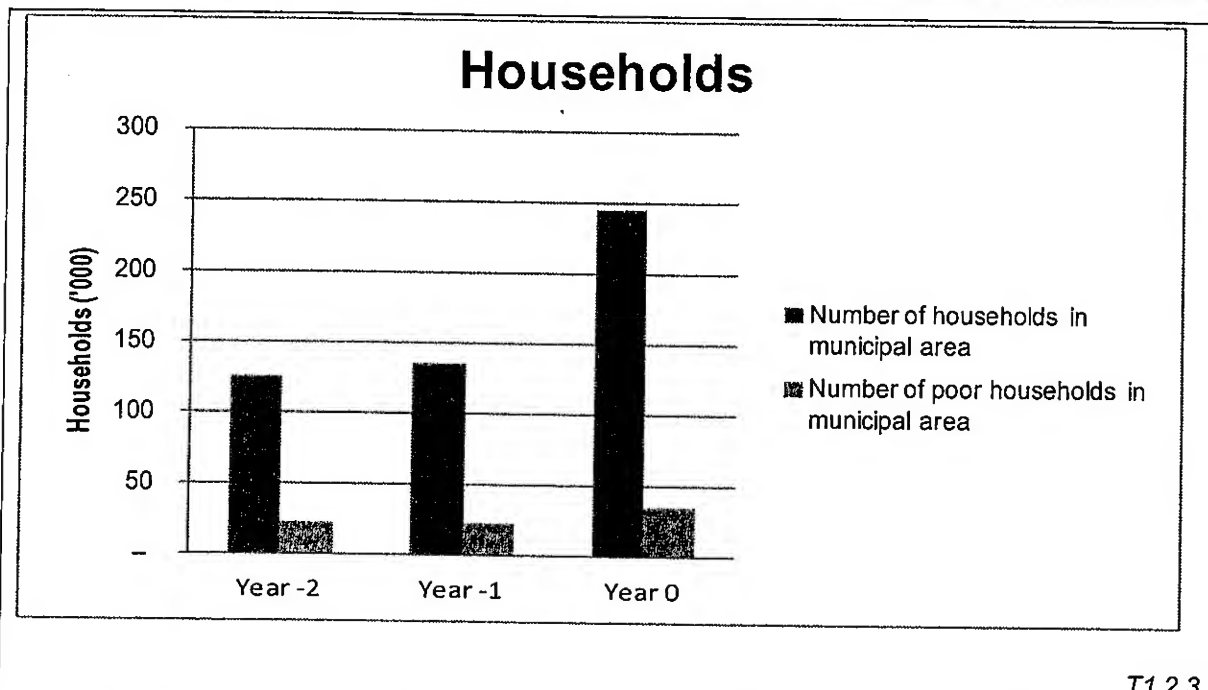
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Main access corridors are the R63 from King Williams Town through Alice and Fort Beaufort towards Adelaide and Bedford and the R67 from Grahamstown through Fort Beaufort, Blinkwater, Seymour towards Queenstown. Nkonkobe is comprised of 21 wards with a population of approximately 127 115 of which the majority (72%) resides in rural villages and farms. Urbanisation is concentrated in Alice and Fort Beaufort. The municipal area includes parts of the former Ciskei homeland and Cape Provincial Administration (CPA) areas, which means that it has a history of land expropriation and disposition in many parts due to the consolidation of land to create Ciskei in the 1960s. A distinct land tenure and land use system prevails with two distinctly different systems in the former Ciskei homeland and Cape Province areas.

Nkonkobe is a rural municipality and the economy is largely driven by the agricultural sector, which includes citrus, forestry and crop production. The citrus industry is one of the municipality's largest employers. Forest plantations and timber processing are also undertaken in the area. Nkonkobe Local Municipality is well-known for its rich heritage and culture. The historic education institutions of Healdtown, Lovedale College, Victoria Hospital and the University of Fort Hare – are important heritage sites in Nkonkobe but as yet are underutilised as tourism or cultural sites. The tourism sector remains largely unsupported and underexploited in a municipality with iconic natural resources in the form of the Amathole Mountains and national significant heritage sites. Some of the major challenges facing Nkonkobe LM include infrastructure challenges and high levels of unemployment and poverty.

| Population Details | | | | | | | | | |
|--------------------|------------|--------|-------|------------|--------|-------|-----------------------------------|--------|-------|
| Age | 2012/ 2013 | | | 2013/ 2014 | | | Population: 127 115 2014/ 2015 | | |
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Age: 0 – 4 | 6891 | 6720 | 13611 | 6843 | 6673 | 13516 | 6795 | 6627 | 13422 |
| Age: 5 – 9 | 6329 | 6143 | 12472 | 6285 | 6100 | 12385 | 6241 | 6058 | 12299 |
| Age: 10 - 19 | 12252 | 10795 | 23047 | 12167 | 10720 | 22886 | 12082 | 10645 | 22727 |
| Age: 20 - 29 | 11121 | 10646 | 21767 | 11043 | 10572 | 21615 | 10966 | 10498 | 21464 |
| Age: 30 - 39 | 6578 | 7075 | 13653 | 6532 | 7026 | 13558 | 6487 | 6977 | 13463 |
| Age: 40 - 49 | 6201 | 7776 | 13977 | 6158 | 7722 | 13880 | 6115 | 7668 | 13783 |
| Age: 50 - 59 | 5355 | 6915 | 12270 | 5318 | 6867 | 12184 | 5281 | 6819 | 12099 |
| Age: 60 - 69 | 3567 | 4795 | 8362 | 3542 | 4762 | 8304 | 3517 | 4728 | 8246 |
| Age: 70+ | 2840 | 5118 | 7958 | 2820 | 5082 | 7902 | 2801 | 5047 | 7847 |

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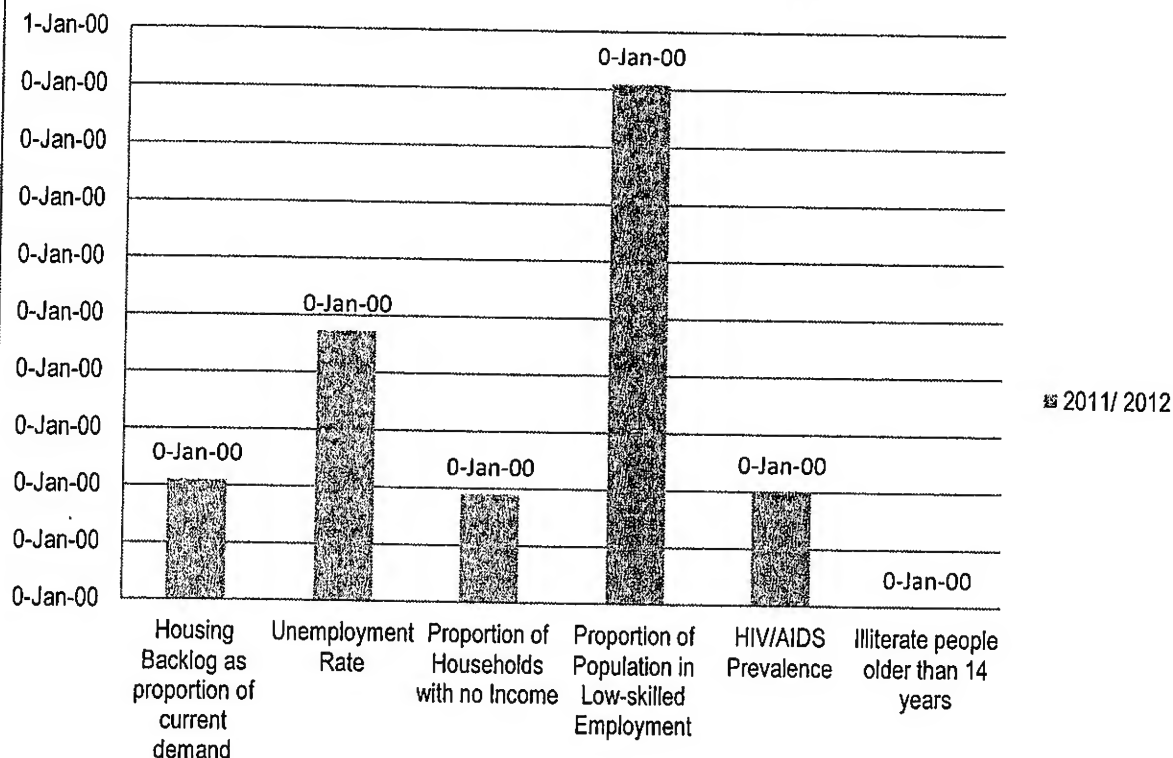
| Socio Economic Status | | | | | | |
|-----------------------|---|-------------------|---|--|---------------------|---------------------------------------|
| Year | Housing Backlog as proportion of current demand | Unemployment Rate | Proportion of Households with no Income | Proportion of Population in Low-skilled Employment | HIV/AIDS Prevalence | Illiterate people older than 14 years |
| 2013/ 2014 | 21% | 47% | 19% | 91% | 20% | 12% |

| Overview of Neighbourhoods within Nkonkobe Local Municipality | | |
|---|------------|------------|
| Settlement Type | Households | Population |
| Administrative Areas | | |
| Alice | 13435 | 47788 |
| Fort Beaufort | 9192 | 32797 |
| Seymour/ Balfour | 4243 | 15798 |
| Middledrift | 7071 | 25756 |
| Hogsback | 1414 | 4976 |
| Total | 35355 | 127115 |

| Natural Resources | |
|---------------------------------|---|
| Major Natural Resource | Relevance to Community |
| Fresh Water Systems | Marriculture and Aquaculture |
| Biodiversity and Natural Forest | Land based projects and environmental projects |
| National Heritage Sites | recreation and tourism, research, education and cultural values |

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Socio Economic Status



T 1.2.5

1.3. SERVICE DELIVERY OVERVIEW

In terms of the powers and functions that are granted to municipalities in terms of Schedule 4 and 5 (part A and B) of the Constitution of the Republic of South Africa, Nkonkobe Local Municipality performs the following functions as embedded in the Constitution:

- Road Traffic Regulations;
- Vehicle Licensing;
- Municipal planning;
- Local tourism;
- Stormwater management systems;
- Abattoirs;
- Cemeteries;

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- Cleansing;
- Municipal Roads;
- Electricity;
- Municipal Parks and Recreations;
- Street Lighting;
- Public Spaces; and
- Refuse removal, refuse dumps and solid waste *etc.*

Basic Service Delivery and Infrastructure development is one of the cornerstones for development and service delivery, as such, the municipality has invested in infrastructural development and to ensure that basic services are accessible by everyone within the municipal area. Although, water and sanitation is a function of the district municipality, Nkonkobe municipality is responsible for Electricity (in Fort Beaufort), Roads and Stormwater management, and waste management. Also the municipality has made strides by increasing access to basic services considerably over the past 10 years.

The percentage of households using electricity for lighting is 100% in Nkonkobe area of supply but this figure is expected to be reversed due to expected development of new houses in Nkonkobe area of supply. The implementation of the Integrated National Electrification Programme through the provision of capital subsidies to electricity distributors (Eskom and Municipalities) as well as non-grid service providers licensed by the National Electricity Regulator of South Africa, in order to address the electrification of occupied residential dwellings that are situated in rural and urban areas in the furtherance of electrification in historically under supplied areas with emphasis, "backlog with a rural backlogs", such as the 300 connections to be completed in the Dorishoek and Philipton project.

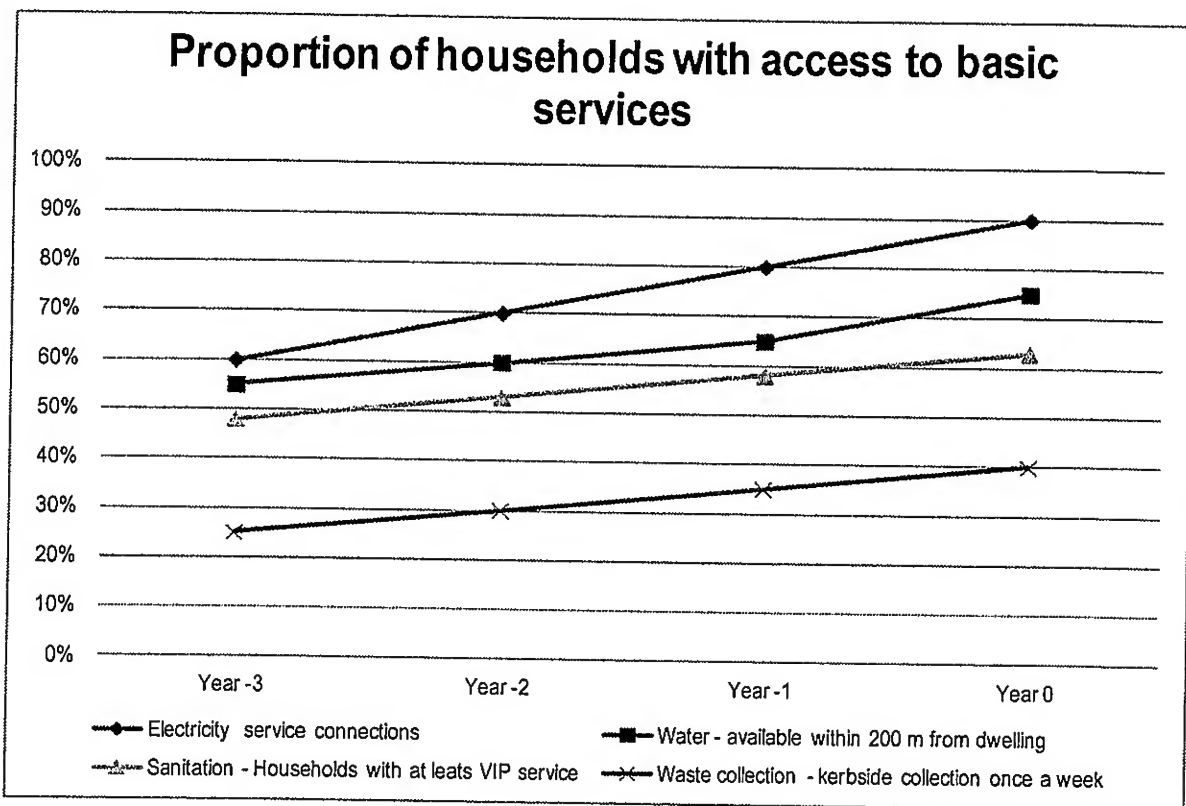
However, challenges are still the same, relating to the following:

- Poor performance by some of the Professional Service Providers (PSP)
- A large number of projects being done in-House with limited resources.
- Land issues during implementation of Infrastructure projects.
- Delays caused by ESKOM in connecting complete schemes.

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COMMENT ON ACCESS TO BASIC SERVICES:

The existing MV lines were constructed approximately 60 years ago and have exceeded its expected useful life span by 15 years, the malfunctioning of certain elements and the electrical equipment such as poles, surge arrestors, auto-reclosers, and the conductors are causing unreasonable downtime and loss of income. The replacement of ageing and unsafe switchgear at the substations and mini-sub is critical condition and needs to be addressed urgently. It is further believed that the current status of the MV network of the Municipality contains a huge safety risk for the local communities, for not attention to the identified problems may result in tragic outcomes and result inconsistent supply of electricity to consumers.



1.4. FINANCIAL HEALTH OVERVIEW

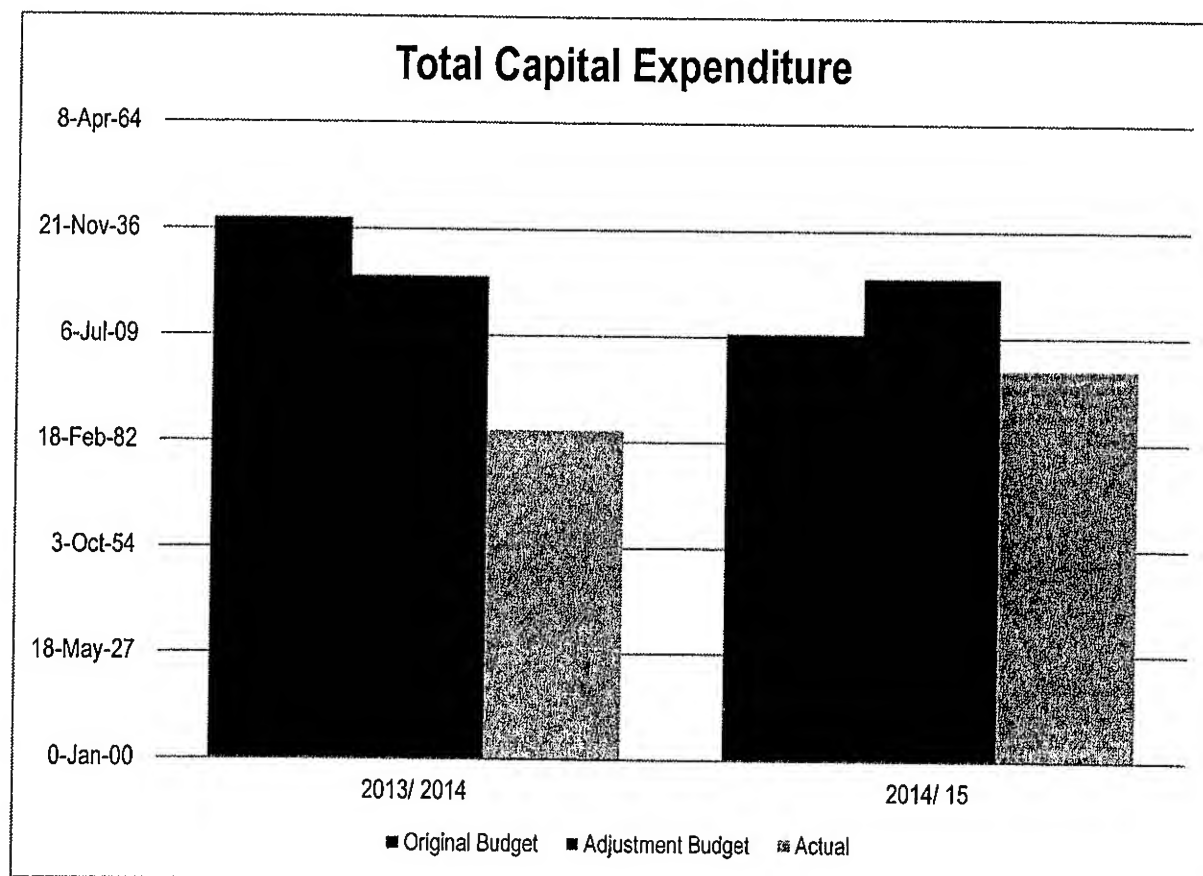
| Financial Overview: 2014/ 2015 | | | |
|--------------------------------|-----------------|-------------------|-------------|
| Details | Original budget | Adjustment Budget | Actual |
| Income: | | | |
| Grants | 150,460,500 | 159,767,500 | 145,196,303 |
| Taxes, Levies and tariffs | | | |

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| | | | |
|---------------------------|--------------|--------------|-------------|
| Other | 98,403,682 | 83,973,262 | 110,834,940 |
| Sub Total | 248,864,182 | 243,740,762 | 256,031,243 |
| Less: Expenditure | -208,565,275 | -221,796,823 | 245,252,812 |
| Net Total* | 40,298,907 | 21,943,939 | 10,778,431 |
| * Note: surplus/(deficit) | 40,298,907 | 21,943,939 | 10,778,431 |

| Operating Ratios | |
|------------------------------|-----|
| Detail | % |
| Employee Cost | 44% |
| Repairs & Maintenance | 8% |
| Finance Charges & Impairment | 14% |
| T 1.4.3 | |

| Total Capital Expenditure: Year 2014/ 15 | | |
|--|------------|----------|
| Detail | 2013/ 2014 | 2014/ 15 |
| Original Budget | 51,040 | 40,317 |
| Adjustment Budget | 45,617 | 45,617 |
| Actual | 31,137 | 36,988 |
| T 1.4.4 | | |



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COMMENT ON CAPITAL EXPENDITURE:

Expenditure increased by 4% compared to the prior year actual. Spending on Capital budget was 84% compared to final budget. MIG spending was 96.11% compared to MIG allocation.

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

Organisational development entails engrossing the human capital of the municipality through skills development, occupational health and safety, sound employee relations and employee wellness issues. Development of skills is thus a compliance matter in terms of the Skills Development Act which requires employers to budget, plan for (through Workplace Skills Plan) and train employees in sector related skills. Municipalities implement training through assistance from LGSETA funding for local government scarce and critical skills. In ensuring health, safety and general wellbeing of employees, the Council provides personal protective clothing for employees performing jobs that require such. Furthermore, the municipality has an employee wellness programme to help employees with varying problems to cope with their difficult circumstances so that they do not have an impact on the performance levels of employees and in turn the municipality.

1.6. AUDITOR GENERAL REPORT

Nkonkobe Local Municipality received a qualified audit opinion from the Auditor-General. It is the third year in a row that the municipality has had no neither regressed nor ascended to an unqualified audit opinion. Audit action plan that will address key issues that have been raised by the Auditor General and regular monitoring thereof, is done by the management, Executive Committee, Audit Committee and Municipal Public Accounts Committee and Council. This stringent monitoring process will ensure that the municipality gravitates into a better audit opinion.

1.7. STATUTORY ANNUAL REPORT PROCESS

| No. | Activity | Timeframe |
|-----|--|-----------|
| 1 | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period | July |
| 2 | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting). | |
| 3 | Finalise the 4th quarter Report for previous financial year | |
| 4 | Submit draft year 0 Annual Report to Internal Audit and Auditor-General | |
| 5 | Municipal entities submit draft annual reports to MM | |

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|----|---|---------------------|
| 6 | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant) | August |
| 8 | Mayor tables the unaudited Annual Report | |
| 9 | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General | |
| 10 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase | |
| 11 | Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data | September - October |
| 12 | Municipalities receive and start to address the Auditor General's comments | November |
| 13 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report | |
| 14 | Audited Annual Report is made public and representation is invited | |
| 15 | Oversight Committee assesses Annual Report | |
| 16 | Council adopts Oversight report | December |
| 17 | Oversight report is made public | |
| 18 | Oversight report is submitted to relevant provincial councils | January |
| 19 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input | |

Chapter 2

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

One of the key principles of good governance is the establishment of ethical leadership within an institution. In a municipal setting this translates into:

- The need to clearly define the roles and responsibilities of the leadership and individual leaders in a municipality;
- The embedding within the leadership of an ethical cultural base on the vision and values of the institution and constitutional principles, both to guide and to measure against, the actions of leaders; and
- The entrenchment of the principle of holding leaders accountable for their actions

2.1 POLITICAL GOVERNANCE

The principalship of Nkonkobe Municipality lies with Council, which operates a number of committees. Nkonkobe Local Municipality has a collective executive system which allows for the exercise of executive authority through an executive committee in which the executive leadership of the municipality is collectively vested. The Committees listed below are established in terms of Sections 79 and 80 of Local Government Municipal Structures Act (Act no 117 of 1998). Listed below are the committees that assist Council in carrying out its Political responsibilities:

1. Executive Committee
2. Rules Committee
3. Remuneration Committee
4. Audit Committee and Performance Audit Committee
5. Advisory Committee
6. Municipal Public Accounts Committee
7. Womens Caucus
8. Whips Committee

Oversight Committees

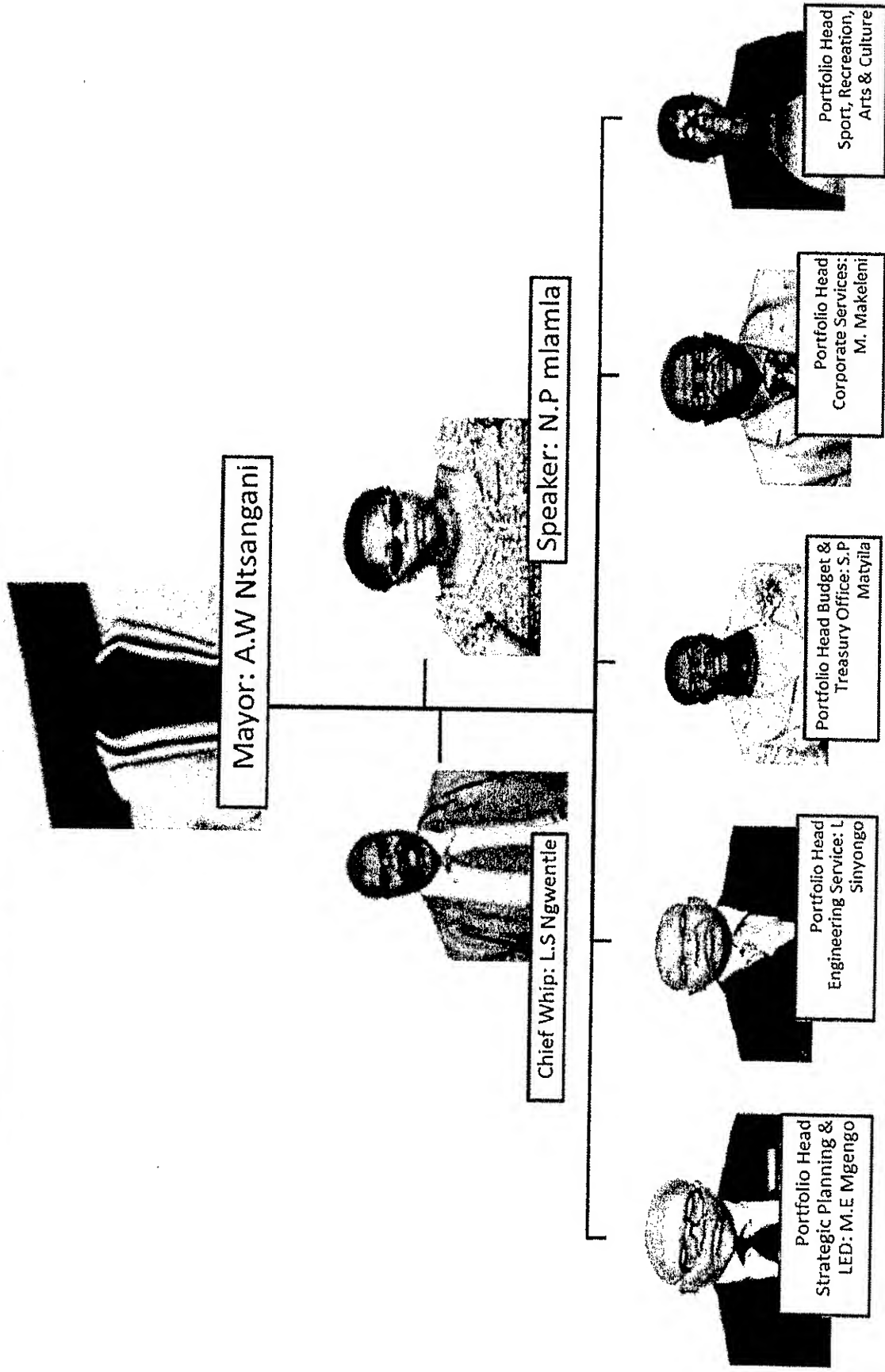
- Audit Committee;
- Audit Performance Committee; and
- Municipal Public Accounts Committee

Standing Committees:

The Municipality has five (5) Section 80 committees referred to as Standing Committees which are chaired by portfolio heads who also serve as executive committee members. The Portfolio Heads forms part of the Municipal Executive Committee which is chaired by the Mayor. The main function of the standing committees is to consider matters relevant to their departments and make recommendations to the Executive Committee, thereafter the Executive Committee recommends to Council. Furthermore, they exercise oversight role over the performance of their departments. In accordance with this provision the municipality has established the following Standing Committees:

- Engineering Services;
- Corporate Services;
- Strategic Planning and Local Economic Development;
- Budget & Treasury; and
- Sports, Arts and Culture.

Chapter 2



Chapter 2

Councillors:

Nkonkobe Local Municipality had 41 Councillors during the period under review with 20 of them being Proportional representative Councillors and the remainder are Ward Councillors. The Council adopted a schedule of meetings which provided for meetings of council to be held four times a year, except where circumstances require the convening of a special meeting of council.

The council consists of 41 councillors of which the composition is as follows:

- 35 AFRICAN NATIONAL CONGRESS COUNCILLORS
- 02 CONGRESS OF THE PEOPLE COUNCILLORS
- 02 DEMOCRATIC ALLIANCE COUNCILLORS
- 01 PAN AFRICAN CONGRESS COUNCILLOR
- 01 INDEPENDENT COUNCILLOR

Lastly the Council also received a Government gazette appointing 6 traditional leaders to participate in the municipality in line with the provisions of section 83 of the Local Government Municipal Structures Act 1998 (Act 117 of 1998) as amended, read with the Traditional Leadership and Governance Framework Act 2003 (Act 13 of 2003). The traditional leaders participate in all the committees of Council except the Executive Committee.

Political Decision-Taking

Standing Committees sit monthly to discuss issues pertaining to their respective departments and make recommendations to Executive Committee. Executive Committee meeting is then convened to discuss reports and recommendations submitted by Portfolio Heads and agree on the matters to be referred to Council.

Troika, which consists of Speaker, Chief Whip and Mayor, convenes a meeting prior to the sitting of each Council meeting to discuss all issues to be tabled in the Council. The Municipal Manager also attends the Troika meetings to provide guidance and advice. Council sits quarterly and makes decisions

on all matters pertaining to community development and service delivery. Council resolutions are taken on the basis of reports and recommendations made by the Committees.

Reports submitted in Council are classified into

- Reports for noting and for information- these are reports on matters in which the Mayors or the Accounting Officer has taken a decision in line with his legislated and or delegated functions.
- Reports for approval- These are reports on matters that may not be delegated as stipulated in section 160(2) of the Constitution of the Republic of South Africa, 1996.

2.2 ADMINISTRATIVE GOVERNANCE

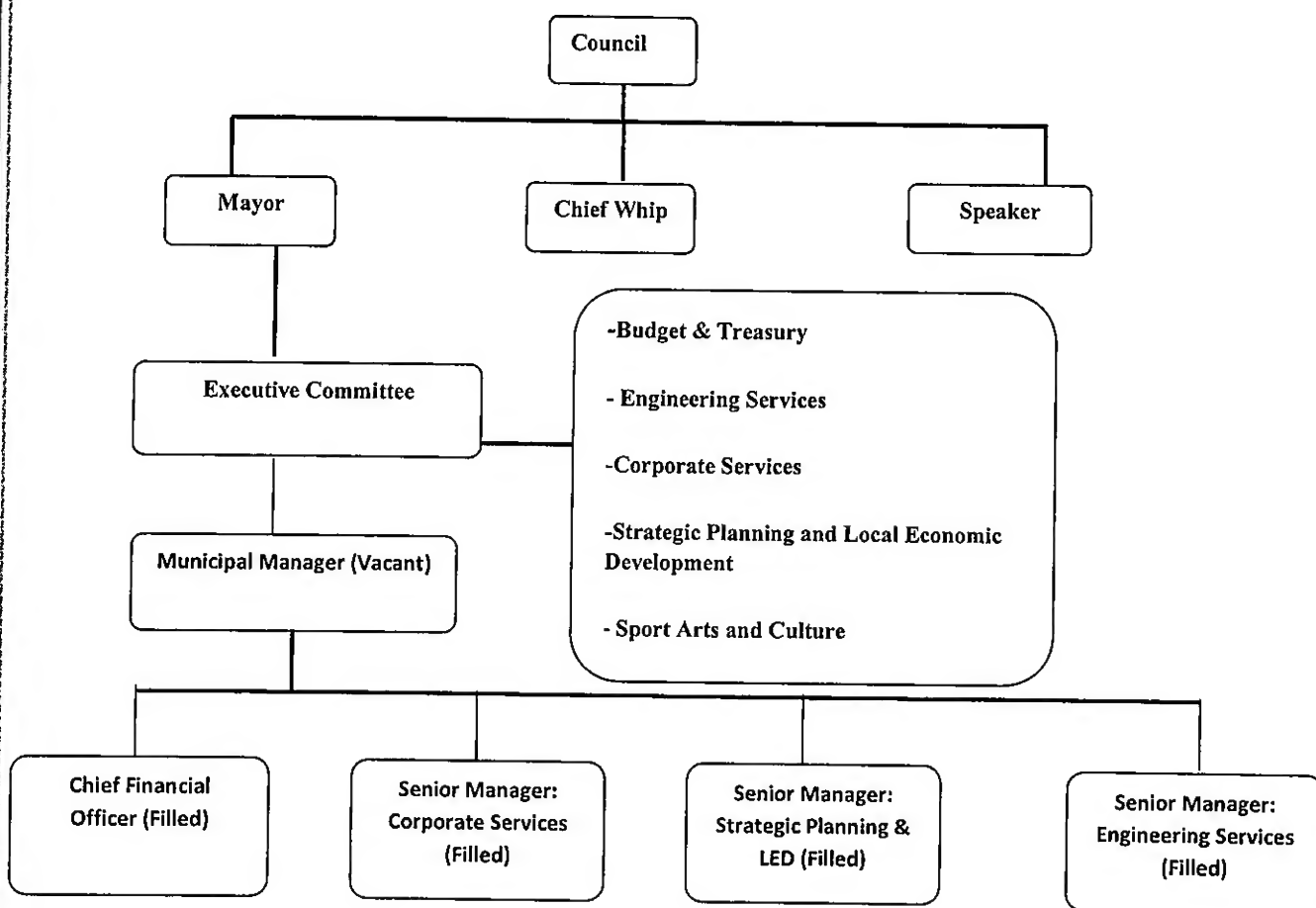
The Municipal Manager is the head of administration and is the accounting officer as described under section 55 of the Municipal Systems Act 2000 (Act 32 of 2000) as amended. As the head of administration the Municipal Manager is charged with specific responsibilities. Functions of the Municipal Manager include:

- The management of the Municipality;
- The rendering of Nkonkobe Municipality's administrative Services to the Municipality;
- The rendering of Financial Services to the Municipality;
- The rendering of Corporate Services to the Municipality;
- The rendering of Engineering Services;
- The rendering of support to the Office of the Mayor.
- The rendering of support to the Office of the Speaker

Of the functions identified five (5) departments were established to perform the functions, these being:

- Municipal Manager's Office
- Department of Corporate Services
- Budget and Treasury Office
- Department of Strategic Planning and Local Economic Development; and
- Department of Engineering Service

Illustration of the Institutional Structure of Nkonkobe Municipality is as follows:



TOP ADMINISTRATIVE STRUCTURE TIER 1



Acting Municipal Manager
Mr Lusanda Menze



Senior Manager: Corporate Services
Mrs Ncumisa Kanyisa Fololo



Senior Manager: Engineering
Mr Zwelethemba Hubert Nkosinkulu



Chief Finance Officer
Mrs Busisiwe Lubelwane



Senior Manager: Strategic Planning and Local Economic Development
Mr Lusanda Menze

CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Section 41 of the Constitution of the Republic of South Africa states that, structures have to be established to coordinate Intergovernmental Relations within and across the spheres of government. In view of the above, the three instrumental pieces of legislations governing operations of local government, namely, Municipal Finance Management Act 2003 (Act 56 of 2003), Municipal Systems Act 2000 (Act 32 of 2000) and Municipal Systems Act 1998 (Act 117 of 1998) provide for legal co-operation governance to take course, and also emphasising the monitoring and supporting role that the national and provincial government should play in the affairs of local government.

At a local level, Nkonkobe Municipality is at the forefront of policy direction and provides sector departments, civil society and various stakeholders with the opportunity to exercise interaction, co-operation and communication guided by the IGR Framework Act to vertically and horizontally plan and work closely with one another in order to realise integrated service delivery; avoiding unnecessary and wasteful duplication or jurisdictional contests.

The municipality's role is to enhance integrated development and to consider various priority programs and projects in the area, and further partner with other organs of state, civil society and business sector. Developmental projects would include the following:

- Local Economic Development
- Special Programmes
- Sports Development

2.3 INTERGOVERNMENTAL RELATIONS

National Intergovernmental Structures

It is difficult to measure the participation of Nkonkobe Local Municipality in the national IGR structures because of the way they are structured. Both in the Presidents Coordinating Council and the Minmecs, representation of local government is by design of South African Local Government Association (SALGA), the organisations that represent local government. Therefore it is clear that there is no direct participation by the municipality in these structures.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The municipal manager seats in the provincial structure called the Ministers and Members of Executive Council meeting (MuNIMEC). This is where all Ministers, MECs, Municipal Managers, Mayors and Heads of Departments sit.

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality has established one entity, known as, Nkonkobe Economic Development Agency (NEDA). The Agency was established in 2002, with the sole purpose of transforming the local economy, and also focuses more on catalytic projects, whilst the LED Unit of the municipality implements small impact projects. The municipality and its entity enjoy a solid rapport and the agency does report to the municipality in line with the prescribed timelines. NEDA, strides towards achieving economic development and unlocking opportunities in Agriculture value chains as evidently presented through its projects, namely:

- Mechanisation Unit
- Nkonkobe Block yard; and
- Alice Regeneration, to name but a few.

DISTRICT INTERGOVERNMENTAL STRUCTURES

There is a district communicator's forum which convenes on a quarterly basis. This forum looks at the integration of government programmes at a district and local level, messaging and media packaging, media bulk buying and key messengers. Furthermore, there is also an IGR structure at district level, where the municipality is represented by the Municipal Manager and Communication Manager as the IGR practitioner of the institution.

The benefits for the municipality (from both these structures) include synergy in program planning, media exposure and publicity received from the Amathole District Municipality newsletter, which is distributed in all seven local municipalities in the Amathole region. Another benefit is in the alignment of strategies with government priorities at national, provincial and at district level. Apart from the two structures, there is also District Planning and Coordinating Forum which focuses on aligning the IDP of local municipality to that of the District Municipality and monitors adherence of municipalities to their

| | | | | | | |
|-------------------------------|-------------------------------|----|----|-------|-----|-----------------------|
| Annual Report Road show | 19/02/2015 | 41 | 32 | 100 | Yes | Immediately |
| Annual Report Road show | 20/02/2015 | 36 | 32 | 120 | Yes | Immediately |
| Annual Report Road show | 02/03/2015 | 40 | 32 | 120 | Yes | Immediately |
| Heritage Tournament | 24/09/2015 - 27/09/2015 | 36 | 15 | +500 | | National Sports Event |
| Mayors Cup | 6- 22/11/2014 | 12 | 9 | 2970 | Yes | 2/12/2014 |
| Ward Championships | 28/02/2015 | 7 | 12 | 2190 | Yes | 10/04/2015 |
| Miss Nkonkobe | 06/12/2014 | 15 | 12 | 200 | Yes | Event |
| Community Builder of the Year | 05/12/2015 | 41 | 22 | 140 | Yes | |
| Christmas in July | 24/07/2014 - 26/07/2014 | 20 | 35 | +1000 | Yes | |
| Cooperative Indaba | | | | | | |
| Back to school campaign | 12/03/2015 | 36 | 7 | 63 | Yes | |
| Cultural week | 22/09/2015 - 24/09/2015 | 38 | 35 | 500 | Yes | |
| World AIDS Day | 03/12/2014 | 41 | 4 | 40 | Yes | |
| Disability Day | 27/03/2015 | 15 | 4 | 100 | Yes | |
| Older Person Golden Games | 29/10/2015 | 3 | 4 | 200 | Yes | |
| Womens day | 20/08/2014 | 18 | 7 | 300 | Yes | Immediately |
| Condom Week | 17/02/2015 - 19/02/2015 | 3 | 5 | 300 | Yes | |
| Youth day | 24/06/2015 | 21 | 20 | 600 | Yes | Immediately |
| Mandela Day | 28/07/2014 | 35 | 44 | 300 | Yes | National Event |

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Citizen participation continues to capture centre-stage position in many policies of nation-state and international development agencies. Community or citizen participation means the involvement of citizens in a wide range of administrative policy-making activities; including the determination of levels of service; budget priorities and the acceptability of physical construction projects in order to orient government programmes toward community needs; build public support and encourage a sense of cohesiveness within society. It is in this spirit that Nkonkobe Local Municipality embarks on Public participation to fulfil the following:

1. To provide information to citizens;
2. To get information from the citizens;
3. To improve public decisions, programmes, projects and services;

process plans, as well as, District Framework Plans. Nkonkobe Local Municipality plays a pivotal role in these forums together with other municipalities within the district.

2.4 PUBLIC MEETINGS

The municipality consistently engages the community on a number of forums, wherein municipal planning programmes are being conceptualised. All these meetings are accessible to all members of the public and they do engage the political office bearers of the municipality. Example of these meetings is: IDP/Budget Representative Forums, IDP/Budget Roadshow, Annual Report Roadshow, and Environmental Waste Management Campaigns and during ward committee meetings (to name but a few). Some of these meetings are convened on quarterly basis, and they do contribute in ensuring that there is a constant interaction between community members and their elected leaders. During the year under review, all the meetings were held successfully, and community inputs were taken into consideration during the municipal planning programmes.

WARD COMMITTEES

Municipal Structures Act No.117 of 1998 provides for ward committees to be set up with the primary function to be a formal communication channel between the community and municipal council. Nkonkobe municipality has ward committees in each ward with 10 members in each and totalling to 210 ward committee members in the Nkonkobe jurisdiction. They act as advisory committees which make recommendations on matters affecting their wards. Ward Committee are always invited to participate in municipal activities during the development and review of the IDP, Budget and the Annual Report road shows as required in terms of the Municipal Systems Act No. 32 of 2000 as amended.

| Public Meetings | | | | | | |
|-------------------------------|-------------------------------|---|--|---------------------------------------|--------------------------|---|
| Nature and purpose of meeting | Date of events | Number of Participating Municipal Councillors | Number of Participating Municipal Administrators | Number of Community members attending | Issue addressed (Yes/No) | Dates and manner of feedback given to community |
| IDP Representative Forum | 11/08/2014 | 25 | 32 | 120 | Yes | 17/11/2015 |
| IDP Representative Forum | 17/11/2014 | 36 | 32 | 152 | Yes | 20/03/2015 |
| IDP Representative Forum | 20/03/2015 | 30 | 32 | 98 | Yes | 18/05/2015 |
| IDP Representative Forum | 18/05/2015 | 39 | 32 | 124 | Yes | 29/08/2015 |
| IDP/ Budget Roadshows | 22/04/2015 - 29/04/2015 | 41 | 32 | 100 | Yes | Immediately |

4. To enhance acceptance of public decisions, programmes, projects and services;
5. To assess the situation in localities and react accordingly;
6. To identify red zones that need immediate attention;
7. To continue profiling the municipality by launching and handing over all major projects.
8. To coordinate all public participation activities in the institution
9. To promote social cohesion within municipal jurisdiction through Sport, Arts and Culture

2.5 IDP PARTICIPATION AND ALIGNMENT

| IDP Participation and Alignment Criteria* | Yes/No |
|--|--------|
| Does the municipality have impact, outcome, input, output indicators? | Y |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Y |
| Does the IDP have multi-year targets? | Y |
| Are the above aligned and can they calculate into a score? | Y |
| Does the budget align directly to the KPIs in the strategic plan? | Y |
| Do the IDP KPIs align to the Section 57 Managers | Y |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Y |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Y |
| Were the indicators communicated to the public? | Y |
| Were the four quarter aligned reports submitted within stipulated time frames? | Y |

2.6 RISK MANAGEMENT

The drive for local government transformation with limited resources has inclined to force municipalities into taking a less conservative approach to service delivery with a proportional increase in their risk exposure. On-going local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability. In this general environment of continual change and limited resources, the management of risk has become a critical issue. The top tier of leadership thus needs to know about possible outcomes and take steps to control their possible impact.

Risk management is already widely recognised as an integral part of good management practice. To improve effectiveness risk management should also become part of a municipality's culture, by being integrated into its philosophy, practices and Integrated Development Plan rather than viewed or practiced as a separate program. Risk should be viewed as a performer rather than an assessment or evaluation tool.

Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and future plans of the entire organisation. When this is achieved, risk management will become the business of everyone in the organisation. The management of risk by implication is a managerial function, even so individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the municipality.

Sections 62 (1) (c) (i) and 95(c) (i) of the MFMA 56 of 2003 requires the Accounting Officer of the municipality to ensure that the municipality and its municipal entity has and maintains an effective, efficient and transparent system of risk management. Risk Management Policy adopted by council provides principles rather than prescriptive approaches that elucidate standards, models and practices proven to support and sustain effective risk management.

RISK ARCHITECTURE

In order to ensure the inclusion of all the factors impacting on Risk Management within the Municipality it is important to identify the environment within which the municipality operates and to have an Enterprise Wide view of the institution. As with most municipal disciplines the risk management environment has altered substantially and requires a complete review of current policies, practices and assumptions. Congruence and fit of risk in the strategic direction of the municipality is pivotal for the full effectiveness of its functions, this starts with a risk averse culture defined, espoused, enacted in our operation and thus being held in account for its effectiveness.

Risk architecture encompasses the following:

1. Drivers
2. Enablers and supporters
3. Implementers
4. Tools and systems
5. Assurance
6. Oversight framework
7. Process framework and methodologies

Risk Response Strategies includes:

- Avoidance by eliminating a specific threat, usually by eliminating the root cause.
- Mitigation by reducing the expected monetary value of a risk event by reducing the probability of occurrence.
- Acceptance by accepting the consequences of the risk. This is often accomplished by developing a contingency plan to execute should the risk event occur.

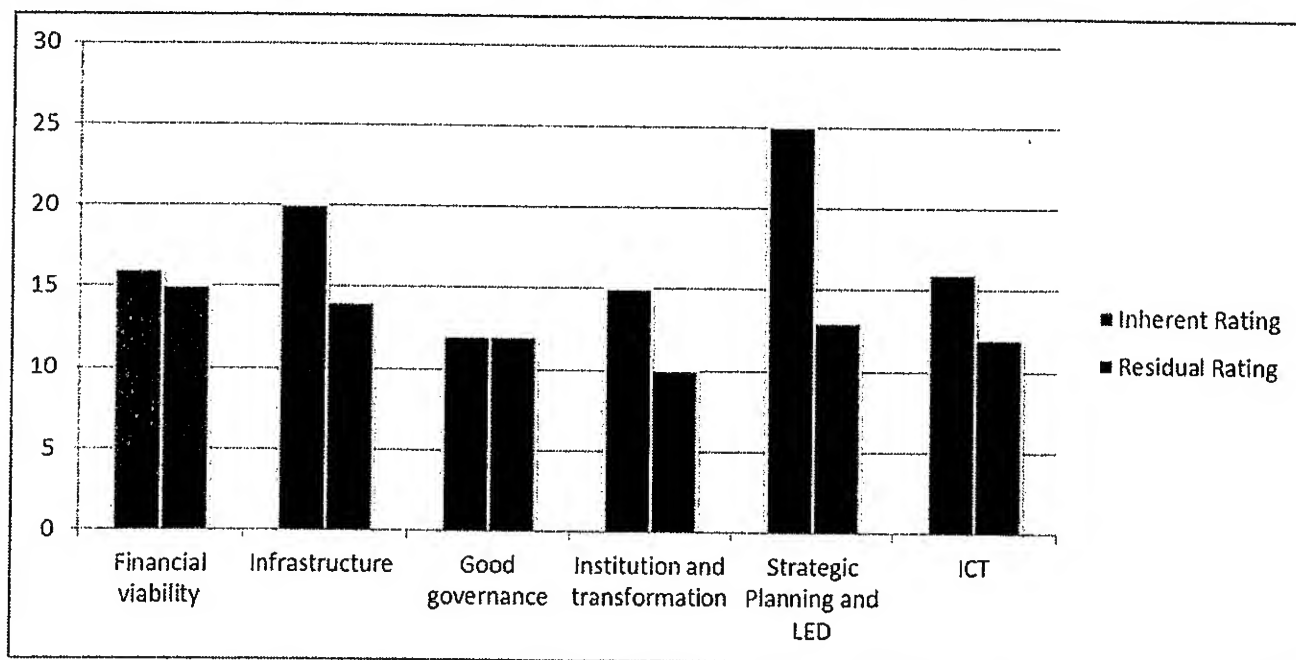
STRATEGIC RISKS

Below is the list of strategic risks:

| No | Risk Description | Cause | Existing controls |
|----|--|---|-------------------|
| 1. | Ineffective management of contracts. | Lack of communication and co-operation from or to Legal Services. Lack of proper monitoring of contractual stipulations. Contracts are concluded without the inclusion of the Legal Service Division. | H |
| 2. | Irregular expenditure (Non compliance with laws and regulations) | Inadequate knowledge of the SCM procedure and policy. Negligence of senior personnel to ensure compliance with SCM policy and procedures. Requisitions are approved and orders are generated after the goods / services are delivered / rendered or after receipt of invoices. Inadequate systems to monitor declaration of interests. | H |
| 3. | Fraud and corruption within the municipality. | Lack of proper controls to prevent fraud. Negligence to report fraud. No segregation of duties. Insufficient awareness programmes. Lack of consequence management tools | H |
| 4. | High electricity distribution losses | Aging electricity infrastructure. Poor quality of electricity supply | H |

| | | | |
|----|--|---|---|
| 5. | Inadequate Revenue Collection Strategy | Municipality has low income population | H |
| 6. | Financial constraints to meet commitments. | Budget constraints to meet objectives. Insufficient debt collection processes. Excessive expenditure. Escalation in indigents. Unfunded mandates. Nonpayment of Government Departments and businesses. High personnel costs. Lack of fiscal discipline. | H |
| 7. | Unauthorized Expenditure | Lack of cash backed budget. Execution of unfunded key performance indicators. Lack of planning and providing for ad hoc urgent projects | H |

Figure 1.1: Variation of risk ratings between inherent and residual risk of the institution

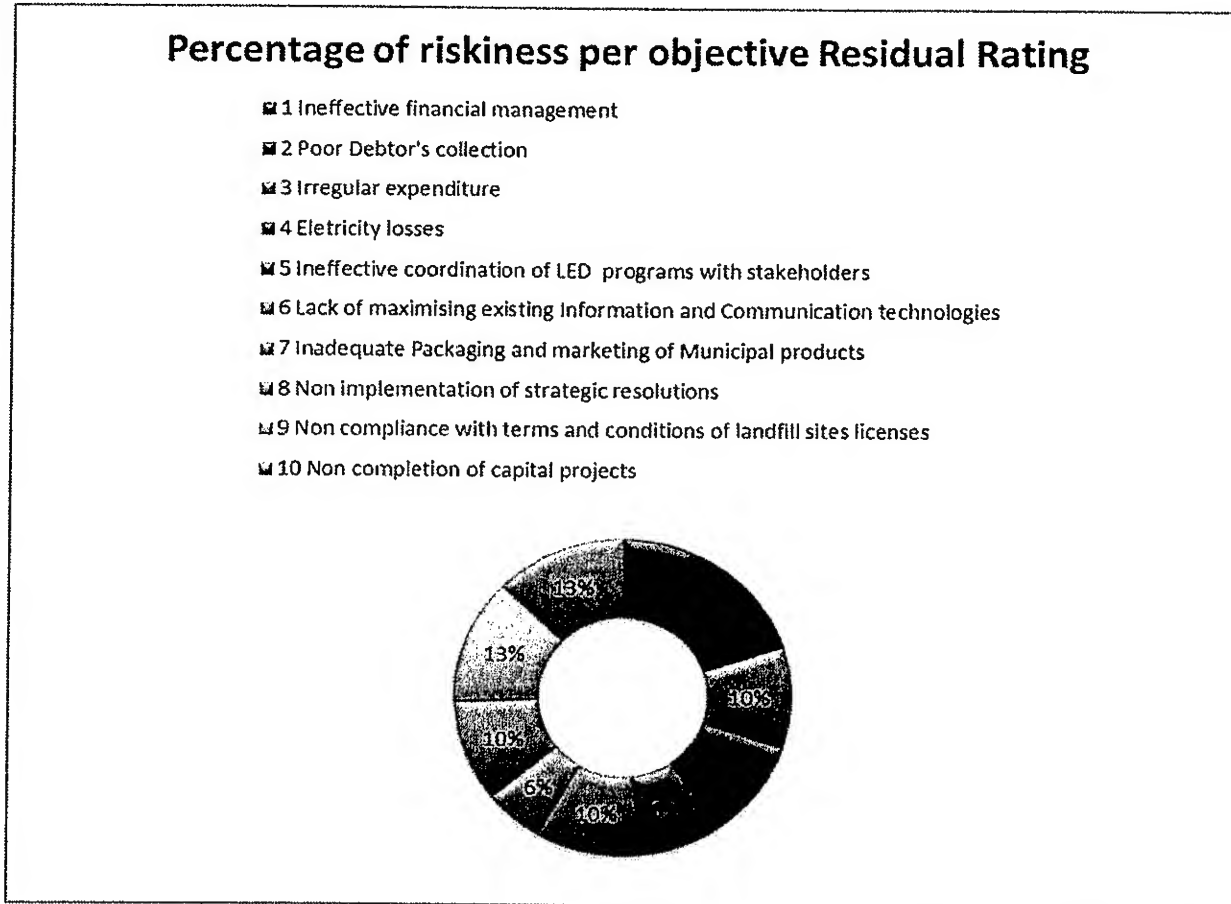


In determining whether risk management processes are effective the following is sought by the Internal Auditor's assessment:

- Institutional objectives support and align with the Institution's mission;
- significant risks are identified and assessed;

- risk responses are appropriate to limit risk to an acceptable level and align with the mitigating strategies approved by council;

Figure 2.2: Depicts the percentage riskiness of each KPA



Challenges

- The drivers and enablers of the process not effective
- Lacks monitoring of implementation of risk mitigating strategies
- Internal audit plays dual function in risk management that of an implementer and assurer.
- Lacks holistic integration and works in silo to the strategic process
- Not seen as an integral part of operations and lack accountability

Remedial action

- Approval of Risk management strategy with Terms of Reference of Fraud and risk management committee
- Risk Management objectives and risk mitigating actions be expressed in the IDP, these will be inclusive of cross functional departments and be reported through in year monitoring reports.
- Risk Management Committee will report on a quarterly basis to the Audit Committee which subsequently advice council of high risk areas and their risk appetite.

2.7 ANTI-CORRUPTION AND FRAUD

The purpose of the Municipal Finance Management Act 2003 (Act 56 of 2003) is to secure sound and sustainable management of the financial affairs of *inter alia* municipalities in the local sphere of government. Municipal Systems Act 2000 (Act 32 of 2000), section 83 (c) requires service providers to be chosen through a process which minimizes the possibility of fraud and corruption. Nkonkobe Municipality conducts risk assessments on regular basis and prepares a risk management strategy, which includes a fraud prevention plan in order to be used to direct internal audit efforts. The strategy is clearly communicated to all employees to ensure that risk management is incorporated into the language and culture of the department and its municipal entity. Fraud risk management is a process that is adopted by the Institution, in putting mechanisms in place, to manage Institution's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

Fraud Risk Management Committee

This committee integrates fraud related activities and risk management mechanisms in order to ensure a preventative and proactive approach are taken in dealing with a risk prone environment. The Fraud Risk Policy approved by council with the Terms of Reference of the committee but implementation and its functionality has been stifled by a lack of a risk incline environment. As part of the Enterprise Risk Management (ERM), it is the responsibility of the Accounting Officer / Authority to establish structures to address the threat of fraud. Fraud prevention is placed under the oversight of Fraud Risk Management Committee (FRMC) which reports to the Audit Committee (AC) on risk management matters. The Fraud Risk Management policy encompasses strategies for fraud, namely:

- Prevention;
- Detection;

- Investigation; and
- Resolution

These strategies can be used depending on the materiality and significance of the matter. An assessment is conducted by the FRMC looking at the sovereignty both qualitatively and quantitatively. The committee is composed of Accounting Officer, Legal Services, Internal Audit and Senior Management.

Challenges

- Non- functional Fraud Risk Management Committee;
- Lack of whistleblowing mechanism;
- Lack of proactive Fraud Risk mechanisms.
- Lack of consequence management tools

Remedial action

- Fraud preventative tools be aligned to the operations and culture of the municipality and its municipal entity
- Developing a whistle blowing policy which will be integrated in the Communication Strategy of the municipality

2.8 SUPPLY CHAIN MANAGEMENT

Supply Chain Management Policy includes one of the primary objectives namely Acquisition Management which is meant to fulfil the demand determined by the Demand Management phase of the Supply Chain Management which also includes the needs in the IDP. Acquisition Management refers to a process of establishing: what will be acquired, when, how and from where it will be acquired, how much is required and at what price, as well as contracting with the supplier.

Practice Note (SCM-03 of 2006) for Bid Committee Members requires that Accounting Officers should appoint bid Committees to develop specifications, evaluate and adjudicate bids. Procedures to be followed and a Code of Conduct are made available to be signed by all members of Bid Committees. SCM policy, processes and procedures are established within the parameters of SCM prescripts approved by the Nkonkobe Municipal council. The three committees involved in the bidding process are:-

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

The Nkonkobe municipality was able to source funding from Amathole District Municipality Support Unit to the value of R 175 000.00 in order to assist in procuring the Supply Chain Management Data Base. The open bidding process was followed and a service provider has since been awarded to supply the municipality with the data base.

2.9 BY-LAWS

The Local Government: Municipal Systems Act 2000 (Act 32 of 2000) section 11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation. There were no by-laws considered during the year under review, although, reviewal and development of by-laws was one of the indicators for the year under review, however the municipality has fifteen (15) promulgated by – laws;

- **By-law relating to Advertising Signs:** Gazette No: 1477 Notice No: 26 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to Cemeteries and Crematoria :** Gazette No: 1477 Notice No: 30 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to Community Fire Safety:** Gazette No: 1477 Notice No: 34 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes:
- **Credit Control and Debt Collection By-law :** Gazette No: 1477 Notice No: 25 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to the Delegation of Powers :** Not Promulgated
- **By-law relating to the Keeping of Dogs and Other Animals:** Gazette No: 1477 Notice No: 22 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to Neglected Buildings and Premises:** Gazette No: 1477 Notice No: 23 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to the Prevention of Nuisances :** Gazette No: 1477 Notice No: 24 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes

- **By-law relating to Public Open Spaces** : Gazette No: 1477 Notice No: 28 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to Ward Committees:** Gazette No: 1477 Notice No: 32 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes.
- **Local Government: Municipal Property Rates Act (6/2004): Nkonkobe Local Municipality: Property Rates By-law:** Gazette No: 2151 Notice No: 16 Gazette: ECP Gazette: Eastern Cape Date: 20090709 Database: Provincial Gazettes.
- **Local Government: Municipal Systems Act (32/2000): Municipality of Nkonkobe: Liquor Trading Hours By-law :** Gazette No: 2024 Notice No: 136 Gazette: ECP Gazette: Eastern Cape Date: 20081205 Database: Provincial Gazettes
- **Local Government: Municipal Systems Act (32/2000): Nkonkobe Municipality: Reviewed Liquor Trading Hours Bylaws:** Gazette No: 2222 Notice No: 123 Gazette: ECP Gazette: Eastern Cape Date: 20091023 Database: Provincial Gazettes. **By-law relating to Solid Waste Disposal :** Gazette No: 1477 Notice No: 29 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to Standing Rules for Council :** Gazette No: 1477 Notice No: 31 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **Street Trading By-law :** Gazette No: 1477 Notice No: 21 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazettes
- **By-law relating to the Use and Hire of Municipal Buildings :** Gazette No: 1477 Notice No: 27 Gazette: ECP Gazette: Eastern Cape Date: 20060220 Database: Provincial Gazette

2.10 WEBSITES

The municipality has a functional website that is actively operational. It displays an echo of Nkonkobe with its vibrant colours of heritage, hope and growth. The outlay of this website demonstrates the legislative information, publications and announcements, activities, planned programmes and institutional achievements. This enables the community to be enlightened about the municipality's programmes.

Accessibility of the website has improved from its initial state. The community can access to lodge complaints through a contact card; these complaints are then directed to the relevant office for prompt response. A link is created for access to Nkonkobe Economic Development agency's website which expresses the agency's engagement in Local Economic Development. Nkonkobe website can be accessed everywhere, by anyone at any time. Conversely, the municipality is faced with numerous challenges, one being inconsistent uploading of valid and accurate information on the municipal website. Section 75(1) of the Municipal Finance Management Act is not fully complied with as key documentation is not readily available on the website.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

During the year under review, there were no official public surveys done on services that are provided by the municipality. However, during the community engagement meetings, imbizo's etc. the public are granted the permission to comment on services that are rendered by the municipality. These meetings are used as platforms to deduce community satisfaction on services provided and also as a way of measuring the impact of the services offered by the municipality.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

The Nkonkobe Municipality primarily supplies electricity to Fort Beaufort Town, Hillside, Newtown and Bhofolo Township. The main, primary and only supplier of electricity to the Nkonkobe Municipality is ESKOM. It is the aim of the Electricity Department to supply good reliable and uninterrupted power supply to the consumers.

3.1 ELECTRICITY

Level and standards in Electricity Services

The electricity supply is according to the National Electricity Regulator's guidelines, policies and Act for both low and high level electricity services to all the consumers. To briefly summarize this section, the Municipalities country wide are governed by a national standard for low and high level access to electricity as well as the quality of the electricity supply applied in the Electricity Supply Industry. These standards are set out in the NRS 048-1:1996/047-2:1996/047-3:1996 (Quality of Supply) and NRS 047:1996 (Quality of Service) and NRS 047-1:1999/047-1:1999 (Quality of Service). Unfortunately these documents are too much to be included in this report, (6 booklets in all), but can be viewed at the Electricity Department Offices. It is thus according to these standards that the department gauges the reporting that is done and the standards, goals and targets that are annually set.

Major challenges in electricity services and remedial actions

- There has been some headway made since the last report, but, the municipality is not out of the predicament.
- Age and size of the existing infrastructure, the network is absolute as it has passed the reasonable point of repair. The infrastructure is also outdated and poses a high risk to injure or

kill municipal employee or a community member. This results to loss of revenue, poor quality and unreliable supply.

- The issue of staff is still a problem, together with the lack of skills and experience in certain fields of expertise.
- A huge problem faced by the Electricity Section, is, the fact that it does not have suitably equipped vehicles, e.g. LDV's (ladder rack, canopy and country box) with which to perform its day to day tasks.
- There is a dire need for a Crane truck for lifting of Transformers, Mini-sub, planting of poles and erecting structures for the pole mounted transformers, and in the light of the future plan to upgrade Munic 1 11kV feeder. The finished product, will require a vehicle that can reach a height of 14 meters for maintenance and repairs to the new line.
- The loss of revenue due to network losses and illegal bypasses. The municipality has in the past experienced a number of illegal connections.
- Eskom penalties amounting to R7.6m per annum due to load consumption exceeding the agreed Notified Maximum Demand of 4.5 MVA between Eskom and the Municipality.

Electricity Projects

- Installation of new High Mast lights in Gugulethu, Alice Golf Course, Hogsback, Debenek and Dubu Location.
- Refurbishment of transformers in Bhofolo and Newtown Township: R 2.5 Million.
- Development of an Electricity Maintenance Plan by Semele Bosch Consulting Engineers: R 200,000.00
- Development of Electricity Master Plans by MISA
- Purchasing and Supply of Standby Generators for all Municipal offices: R2.5 Million.
- Installation of smart metering system to monitor the consumption of electricity in Municipal supply area.
- Rural Electrification of Platform, Arhmet, Mount Pleasant, Joji and Worburn Locations.
- Maintenance of streetlights and high mast lights in Alice and Fort Beaufort Towns.
- Maintenance of Fort Beaufort - Munic 2 11kV Feeder.

Remedial Actions

Human Resource

Organogram has been revised and critical positions funded and will be advertised in future. Training gaps has been identified and there is plan to send staff for training on First Aid Level 2, Basic Fire Fighting, Trade Test , Cable termination, Equipotential Earthing, Maintain structures, cross arms (wooden and steel), High Voltage Environment and regulations awareness, Line Inspection, ORHVS Level 4, Basic Power System Protection (11kV-22kV) and Construction Regulations.

Vehicles

To source funding for the purchase of LDV'S, and a truck fitted with crane including the cherry picker attachment.

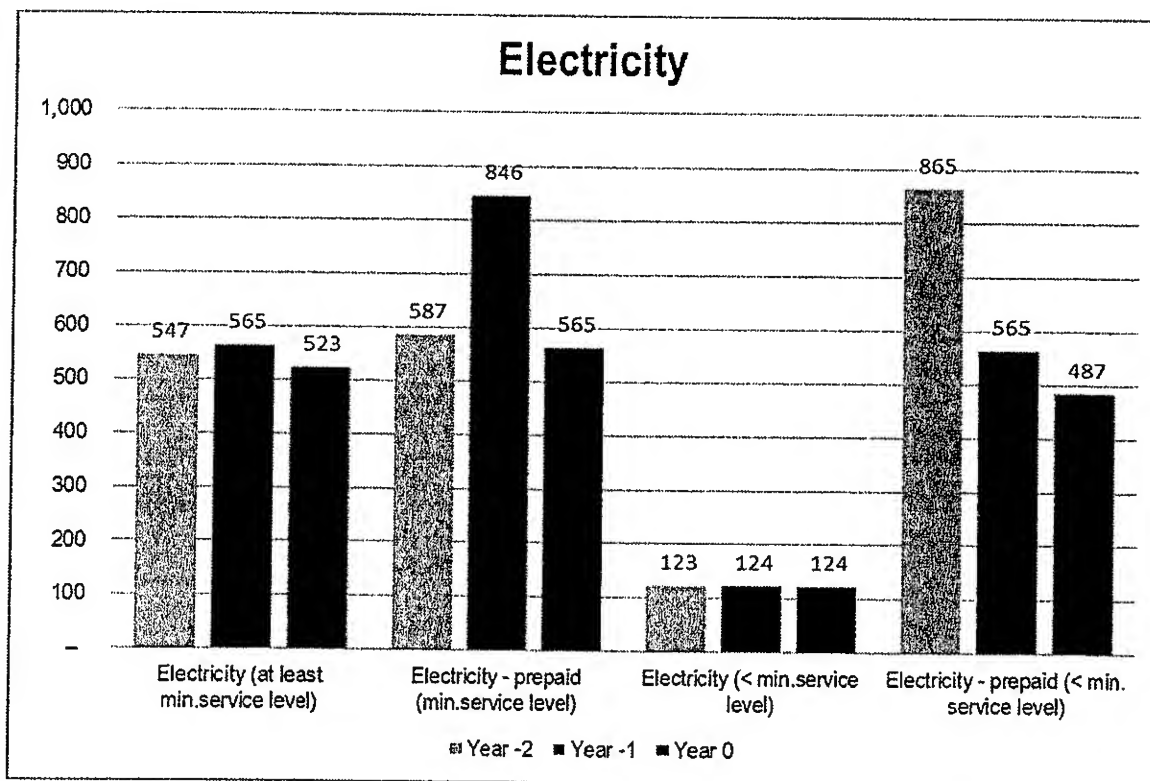
Infrastructure Development

To upgrade and replace the old and or/ ageing infrastructure to ensure sufficient and sustainable electricity supply. The Department of Energy and MIG to allocate funding for this project

- To implement an Electrical Meter audit, Council has to budget for this project in the next financial year.
- To upgrade the existing MV & LV network, substations and also additional substations in areas where the demand has increased.
- To focus more on repairs and maintenance of area lighting in the existing residential areas and main roads.
- Installation of Reclosers and metering points on Munic 1 and Munic 2 11kV Feeder.
- Transformer maintenance.

Repairs and Maintenance

- Utilise 6% for repairs and maintenance from collected revenue as it is a requirement by NERSA. This will have positive influence on tariff increase if the municipality has implemented as per NERSA standards.



| Electricity Service Delivery Levels | |
|---|----------------------------|
| Description | Households |
| | 2014/2015 Actual No. |
| <u>Energy: (above minimum level)</u> | |
| Electricity (at least min.service level) | 523 |
| Electricity - prepaid (min.service level) | 565 |
| <i>Minimum Service Level and Above sub-total</i> | 1,088 |
| <i>Minimum Service Level and Above Percentage</i> | 62.1% |
| <u>Energy: (below minimum level)</u> | |
| Electricity (< min.service level) | 124 |
| Electricity - prepaid (< min. service level) | 487 |
| Other energy sources | 54 |
| <i>Below Minimum Service Level sub-total</i> | 664 |
| <i>Below Minimum Service Level Percentage</i> | 37.9% |
| Total number of households | 1,753 |

| Households - Electricity Service Delivery Levels below the minimum | | | |
|--|-----------------|-----------------|----------|
| Description | Year 2014/2015 | | |
| | Original Budget | Adjusted Budget | Actual |
| | No. | No. | No. |
| Formal Settlements | | | |
| Total households | 35355.00 | 35355.00 | 21150.00 |
| Households below minimum service level | 6496.00 | 6496.00 | - |
| Proportion of households below minimum service level | 18% | 18% | 0% |
| Informal Settlements | | | |
| Total households | 200.00 | 200.00 | 200.00 |
| Households ts below minimum service level | 70.00 | 70.00 | 0.00 |
| Proportion of households ts below minimum service level | 35% | 35% | 0% |

| Capital Expenditure Year 2014/2015: Electricity Services | | | | | |
|---|------------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2013/ 2014 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| | | | | | |
| Total All | 12750000 | 0 | 6200447 | 51% | |
| Installation of 17 High Mast in Hillside, New Town and Bhofofo. | 4150000.00 | 0 | 562000.00 | 86% | 4150000.00 |
| Electrification of Mpofu villages | 3600000.00 | 0 | 2000000.00 | 44% | 3600000.00 |
| EEDSM | 5000000.00 | 0 | 3638447.20 | 27% | 5000000.00 |

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

All ervens in our area have access to electricity for prepaid and conventional electricity. Poor households that qualify for free basic electricity are registered on Indigent register system and they are required to collect their 50kWH tokens from the registered vendors within the Municipal area.

We are having power outages on a daily basis caused by very old and obsolete MV & LV networks and trees protruding through our networks lines. We were experiencing service delivery protests due to unreliable electricity supply to consumers compelling the National Department of Energy to assist the municipality with funding. The municipality was then identified under the hot spot municipalities for the upgrade of electricity supply infrastructure and remedial measures to Notified Maximum Demand which we are currently exceeding and get hefty penalties from Eskom.

Again the municipality has applied for funding intervention to the Department of Energy for EEDSM energy efficient technologies to try and arrest the energy crisis within the area of supply, the funding

was received for 3 outer years and there are interventions in a form of energy efficient street lights, installation of building lights, energy efficient air conditioners and installation of Solar Water Heaters. The first phase of the project - Retrofitting of existing lights with energy efficient streetlighting is 100% complete however we have maintenance challenges caused by current financial constraints. The project is currently on hold awaiting more funding from Department of Energy to carry on with the second phase of the project.

3.2 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Waste management is the primary functions of the municipality as enshrined in the Constitution of RSA, 1996, Part B, Schedule 5. Nkonkobe Municipality prides itself in collecting refuse on a weekly basis in the following areas: Fort Beaufort, Seymour, Hogsback, Middledrift and Alice. The municipality also conducts environmental /waste management campaigns with the assistance from the Youth Jobs in Waste appointed by the Department of Environmental Affairs. In so doing, the municipality developed an Integrated Waste Management Plan which is still awaiting Council approval. There are two service providers that have been contracted by the municipality to collect refuse in Newton and Golf Course in Alice and they are Nkonjane and Vaxobye. Furthermore, the municipality operates and manages the following waste facilities:

- Seymour - permitted but not operational
- Fort Beaufort - permitted for closure as it was operated illegally
- Alice- permitted, operational
- Middledrift-permitted, operational
- Hogsback-not permitted, not operational

The municipality applied for a permit to establish a transfer station but the construction phase is still at an initial stage and the illegal site is still utilised. The municipality also intended to establish a transfer station in Hogsback but that could not proceed as there is a challenge of land claim in the identified site. Moreover, the municipality has managed to employ casual workers to man the sites, but there is still more needs to be done as currently the sites need fencing, there is no water and electricity, burning of waste is also a challenge. Access control to the sites is still a challenge especially at night as there are no security guards available.

URBAN RESIDENTIAL REFUSE COLLECTION

Black bags/bins kerbside collection is done once per week. Four refuse bags are distributed per household by Revenue section when one makes a payment. Service providers also distributes black plastic bags to households once a month. Refuse in businesses is collected as per agreement which is based on the volumes of refuse generated. Only few number of business premises have proper refuse storage facilities and there have been campaigns made to encourage them to construct such storage

facilities. Businesses are also encouraged to call the municipality when they have consumed large volume of waste to avoid refuse being put in front of their shops, but that is still a challenge as some others are still doing that. There is a need to review by-laws so as attach fines when one is not complying.

GARDEN REFUSE REMOVAL

Garden refuse is collected upon request by individual households and charged accordingly.

REMOVAL OF ILLEGAL DUMPING

There is a huge challenge with illegal dumping more especially in residential areas. The municipality is in a process of compiling a report on illegal dumping so as to address those. Another challenge the municipality is facing the building rubble which is scattered all over the place by households and business when renovating their premises, but with the assistance from the Peace Officers, the municipality is able to address some especially in the CBD areas.

ENVIRONMENTAL/WASTE AWARENESS CAMPAIGNS

During the financial year under review, the municipality has conducted 2 cleaning campaigns in collaboration with ADM, UFH and sector departments. The Municipality also hosted Environmental Week Celebrations with ADM, Ngqushwa Municipality, Fish River Game Reserve, Environmental Affairs as well as the Department of Education. Major challenges in waste management are as follows:

- Waste disposal sites not manned as per waste related regulations
- Reviewal of waste management by-laws
- No recycling initiatives
- Poor conditions of refuse trucks

GRASS CUTTING

The municipality is also responsible for grass cutting in the CBD areas, open spaces and the maintenance of parks. During the financial year under review, the municipality has been continuously maintaining 2 parks in Alice and Fort Beaufort.

DEVELOPMENT OF INTEGRATED WASTE MANAGEMENT PLAN (IWMP)

In terms of the National Environmental Management: Waste Act; 2008 all municipalities must develop their Integrated Waste Management Plan (IWMP). The Municipality is in the process of having its IWMP developed; processes are underway.

The major challenges in Waste Management Services are the following:

- Waste disposal sites operating without permits;
- Non enforcement of waste disposal by-laws; and
- No Integrated Waste Management Plan (IWMP).

| Waste Disposal Service Delivery Levels | |
|---|----------------|
| Description | Households |
| | Year 2014/2015 |
| | Actual No. |
| Solid Waste Removal: (Minimum level) | |
| Removed at least once a week | 6871.00 |
| <i>Minimum Service Level and Above sub-total</i> | 8 |
| <i>Minimum Service Level and Above percentage</i> | 25.1% |
| Solid Waste Removal: (Below minimum level) | 10 316 |
| Removed less frequently than once a week | 1.1 |
| Using communal refuse dump | 1.2 |
| Using own refuse dump | 67.8 |
| Other rubbish disposal | – |
| No rubbish disposal | 5.64 |
| <i>Below Minimum Service Level sub-total</i> | 21 |
| <i>Below Minimum Service Level percentage</i> | 75.2% |
| Total number of households | 28 |

| Households - Solid Waste Service Delivery Levels below the minimum | | | |
|--|------------------------|------------------------|---------------|
| Description | Households | | |
| | Year 2014/2015 | | |
| | Original Budget No. | Adjusted Budget No. | Actual No. |
| Formal Settlements | | | |
| Total households | 35173.00 | 35173.00 | 35173.00 |
| Households below minimum service level | 9134.00 | 9134.00 | 0.00 |
| Proportion of households below minimum service level | 26% | 26% | 0% |
| Informal Settlements | | | |
| Total households | 182.00 | 182.00 | 182.00 |
| Households below minimum service level | 182.00 | 182.00 | – |
| Proportion of households below minimum service level | 100% | 100% | 0% |

| Capital Expenditure Year 2014/2015 : Waste Management and Environment Services | | | | | |
|--|------------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | R' 000 | | | | |
| | 2014/ 2015 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | 0 | 723767 | 97% | |
| Seymour Transfer station | | 0 | 723767 | 55% | |
| Hogsback Transfer station | | 0 | 0 | 100% | |

| | | | | | |
|--|--|---|---|------|--|
| Closure and rehabilitation of landfill site in Fort Beaufort | | 0 | 0 | 100% | |
| Land rehabilitation in Middledrift | | 0 | 0 | 100% | |

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

The waste management section continued to remove the refuse from the various areas according to the work schedule. Council has approved the construction of 3 transfer stations in three Towns namely: Hogsback, Seymour, and Fort Beaufort to improve waste collection methods. During the year under review, the Department of Environmental Affairs funded a project which focuses on rehabilitation and closure of Fort Beaufort Illegal Waste Site for an amount of R10million.

3.3 HOUSING

The Constitution of the Republic of South Africa embeds the right of everyone to have access to adequate housing and makes it incumbent upon the State to take reasonable legislative and other measures within its available resources to achieve the progressive realization of this right. In response to this constitutional imperative, Government has in terms of the Housing Act 1997 (Act 107 of 1997) introduced a variety of programmes which provide the poor households access to adequate housing. The Nkonkobe Municipality ensures that residents have access to houses when the Department of Human Settlements approved planned housing developments in the council area. The council initiates, plans, co-ordinates and facilitates the development in consideration of housing code for Provincial and National. The municipality has housing projects funded by the provincial Department of Human Settlements; these are completely new projects, whilst others focus on rectification of houses that were built.

| Percentage of households with access to basic housing | | | |
|---|---|----------------------------------|---|
| Year end | Total households (including in formal and informal settlements) | Households in formal settlements | Percentage of HHs in formal settlements |
| As per 2011 Census | 35355 | 18413 | 52.1% |

| Capital Expenditure Year 2014/2015 : Housing Services | | | | | |
|---|------------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2014/ 2015 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 221549272 | 0 | 26211000 | 88% | |
| Seymour 232 | 14015678 | 0 | 800000 | 94% | 14015678 |
| Bhofolo 300 | 16990219 | 0 | 0 | 100% | 16990219 |
| Alice 283 | 14860827 | 0 | 411000 | 97% | 14860827 |
| Hillside 638 | 63516848 | 0 | 0 | 100% | 63516848 |
| Newtown 662 | 70065700 | 0 | 0 | 100% | 70065700 |
| Seymour 465 | 10000000 | 0 | 0 | 100% | 10000000 |
| Mount Pleasant | 22100000 | 0 | 25000000 | -13% | 25000000 |
| Middledrift 311 | 10000000 | 0 | 0 | 100% | 10000000 |

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

A housing Sector Plan was adopted and approved by Council is in place and is currently under review, with the assistance of the Department of Human Settlements. The Department of Human Settlements has committed money for the infrastructural development of 1146 sites within the municipal area. The construction of services to commence during 2015 and will be completed in December 2016. Planning is also underway for the development of community residential units in Alice, Middledrift and Fort Beaufort which is a joint venture between private developers and the municipality. Also the planning and finance model have been finalized for the construction of two Shopping malls in Middledrift and Alice.

3.4 FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality is having a responsibility to ensure that all indigent households within Nkonkobe jurisdiction have access to free basic services (FBS). The adopted indigent policy, whose aim is to alleviate poverty in disadvantaged communities by providing free basic electricity (of at least 50 kWh per month), and [the] solid waste management and property rates (100% subsidy to indigent households), was useful and necessary for the successful implementation of the programme. The consistent application of the indigent policy has enabled the municipality to provide free basic service to 100% of the registered indigent households in its indigent register.

The beneficiaries of free basic electricity reached a total of 15,823 in the current year which is equivalent to a rand value of R 7 652 002.80. Subsidy for refuse was extended to 5656 beneficiaries and this

equates to a rand value of R2, 759.196.00. Conversely, Alternative energy (paraffin), there was 946 households that benefitted and an amount of R745, 680.00 was expended to ensure that all the registered beneficiaries received this service.

The indigent support policy embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of service charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from the state of being indigent.

| Free Basic Services To Low Income Households | | | | | | |
|--|--------|---|------------------------|-----|-------------------|-----|
| | Total | Number of households | | | | |
| | | Households earning less than R1,100 per month | | | | |
| | | Total | Free Basic Electricity | | Free Basic Refuse | |
| | | | Access | % | Access | % |
| 2013/ 2014 | 35 355 | 20 533 | 14 877 | 72% | 5 656 | 28% |
| 2014/ 2015 | 35 355 | 21 479 | 15 823 | 74% | 5 656 | 26% |

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Nkonkobe municipality has an indigent support programme that aims to render municipal services to beneficiaries who would ordinarily not afford municipal services. The indigent support policy is intended to provide poor households on-going access to a minimum, nationally specified level of service. The municipality has ensured that it has met this mandate/objective by developing a policy that allowed and ensured that low income earners within Nkonkobe jurisdiction are subsidized by the municipality for their basic services in order to ensure that they equally benefit in municipal basic services. Qualifying households received 50 kWh of electricity per month and 100% subsidy for solid waste, refuse and rates. Alternative energy, in the form of paraffin, was also provided in areas where there are low income earners who do not have electrification. To qualify for indigent support, the combined gross income of all occupants or dependents in a single household may not exceed the threshold income of two state pensions per month.

3.5 ROADS

The role of the Municipality is to provide appropriate, cost effective and affordable roads, storm-water drainage; transport infrastructure and public transport services in order to improve the quality of life of

the communities. The main role players are the Municipality; Department of Roads and Public works, as well as, SANRAL. The Department of Roads and Public works and SANRAL are responsible for the construction and maintenance of National, Provincial road network whereas the municipality is responsible for the access roads leading to villages and those in urban areas.

All households have access to either gravel or surfaced roads. The gravel roads are maintained according to the work schedule of the Department Infrastructure and Technical services and also immediately after rainstorms. The surfaced roads are maintained from the operating maintenance budget. The quality and standards of our roads are in poor condition.

The surfacing of all remaining strategic routes and roads of significance in rural areas. Due to a thin revenue base the Municipality is unable to address the backlog. Financial assistance is needed from the MIG funding to address the backlog. The estimate cost to address the backlog for gravel roads is R 725,657.94m, allocated in multiyear regravelling projects. The estimated cost to address the ageing roads infrastructure and new upgrades is R 512,827,736m allocated in multiyear projects. Regarding the storm-water backlog, increased MIG is required. The estimated cost to address the backlog fully is R 45 000 000. Funding is also required for resealing of our roads on regular basis. The estimated amount is R 15 000 000m. More attention needs be done to the condition of rural roads by the Department of Public Works as well SANRAL for national routes passing through Nkonkobe Local Municipality. Lastly funding is required for the development and implementation of an Integrated Transport plan together with a road maintenance plan for Nkonkobe Municipality.

Roads and Stormwater Projects

- Gqumashe access road.
- New Town paving project.
- Gugulethu paving project
- Golf course paving project.
- Chris Hani paving project.
- Debe Nek paving project.
- Montago paving project.

Note: The above mentioned projects are still on track and are the anticipated completion date is the end of this current financial year. Furthermore, the main reason for slow completion is due to incompetent service providers complemented with slow delivery of material on site.

Remedial Action

Human Resource: Organogram has been revised and critical positions funded and will be advertised in future.

Training gaps has been identified and there is plan to send staff for training on First Aid Level 2, Driver operator training, Foreman training, Environment and regulations awareness, and Construction Regulations.

Vehicles: To source funding for the purchase of LDV'S, and a truck, TLBS, and additional tipper trucks for gravel road maintenance

Infrastructure Development: To upgrade and replace the old and or/ ageing roads and Stormwater infrastructure to ensure a safe roads infrastructure.

- To upgrade gravel roads to surfaced standards within the CBD areas.
- To upgrade gravel roads to paved standards in rural villages.
- To rehabilitate the existing surfaced roads and increase and extend life span.
- Reconstruction totally damaged surfaced roads to acceptable standards within a reasonable time

BACKLOG ELIMINATION COST

| Town | Reconstruction | Regravelling | Reshaping | Total |
|---------------|----------------|--------------|-----------|---------------|
| Fort Beaufort | R 5 082 000 | R 14 756 000 | R 3 780 | R 19 841 780 |
| Alice | R 1 554 000 | R 3 986 000 | R 0 000 | R 5 540 000 |
| Middledrift | R 507 500 | R 1 776 000 | R 0 000 | R 2 283 500 |
| Seymour | R 1 207 500 | R 2 924 000 | R 3 420 | R 4 134 920 |
| Rural | R 197 963 500 | R 23 112 000 | R 0 000 | R 221 075 500 |
| Total | R 206 314 500 | R 46 554 000 | R 7 200 | R 254 875 700 |

Theoretical maintenance and upgrade strategy

With the current budget allocated to the roads, it can be logically deduced that his "backlog eliminated" cannot be undertaken immediately and therefore other methods/plans are to be developed to eliminate the backlog. It is therefore, based on the above, that a "phased" approach is required to ensure that all roads are brought up to "fair" or better standard. The following sets of the approach to be taken.

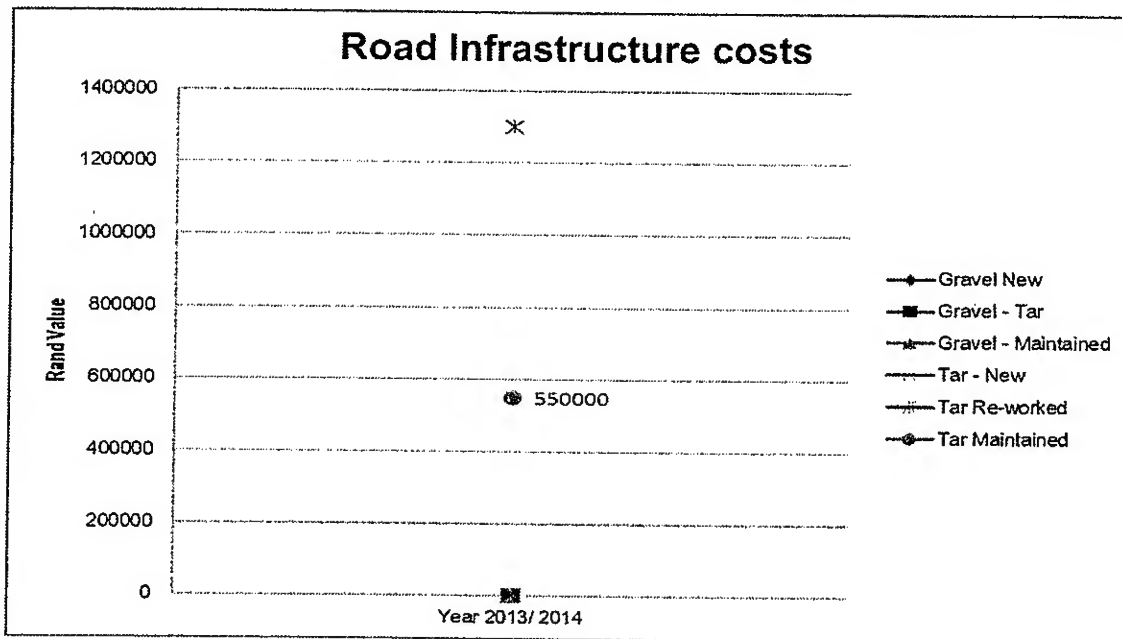
Gravel roads generally have a "life span" of approximately five years, therefore it is proposed fifth of the backlogs elimination be phased over a five year period. The theoretical plan proposed is to ensure that one fifth (1/5) of the un-surfaced road network is regravelled, reshaped or reconstructed in each financial year. This backlog elimination is to coincide with ensuring that all routine and repetitive maintenance activities are implemented as follows:

- Each gravel road is bladed four times per year.
- Each earth or track is bladed once per year.

| Gravel Road Infrastructure | | | | |
|----------------------------|--------------------|------------------------------|------------------------------|--|
| | Total gravel roads | New gravel roads constructed | Gravel roads upgraded to tar | Kilometers Gravel roads graded/maintained |
| 2013/ 2014 | 1,712 | 3 | 0 | 160 |
| 2014/ 2015 | | | | |

| Tarred Road Infrastructure | | | | | |
|----------------------------|--------------------|---------------|------------------------------|-------------------------------|------------------------------------|
| | Total tarred roads | New tar roads | Existing tar roads re-tarred | Existing tar roads re-sheeted | Kilometers Tar roads maintained |
| 2013/ 2014 | 0 | 0 | 0 | 0 | 5 |
| 2014/ 2015 | | | | | |

| Cost of Construction/Maintenance | | | | | | |
|----------------------------------|------------|--------------|------------|-----|-----------|------------|
| | Gravel | | | Tar | | |
| | New | Gravel - Tar | Maintained | New | Re-worked | Maintained |
| 2013/ 2014 | R3 600 000 | 0 | R480 000 | 0 | 1300000 | 550000 |
| 2014/ 2014 | | | | | | |



| Capital Expenditure Year 0: Road Services | | | | | R2 832 906 |
|---|------------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2014/ 2015 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 2832906 | 0 | 2832906 | 0% | |
| Mqanda/ Mxumbu Access Road | 2832906.00 | 0 | 2832906.00 | 0.00% | 2832906.00 |

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

All the roads that fall under the jurisdiction of the municipality are being attended to by the Technical Unit according to their work schedule. The surfaced roads are repaired and cleaned after heavy rainfalls including storm-water channels. Furthermore, the municipality has invested in the development of a roads maintenance plan with the sole purpose of providing the municipality with a broad overview of the maintenance strategy and how this is accommodated within the allocated budget. Road maintenance is essential in order to preserve the road in its originally constructed condition. Improper maintenance may result in rapid deterioration of the road structure and ultimate collapse to a point requiring total reconstruction. Therefore taking the above into account to perform "normal" routine maintenance in Nkonkobe Municipal area, all roads to be brought up to well or better category. The cost to eliminate the backlog is estimated at R 48 515 469.

3.6 PLANNING

It should be noted that, depending on the legislation used for an application, a local municipality may, under the current spatial planning legislation, either have full responsibility to process and adjudicate an application or would only be required to render comment and provide recommendation to a provincial – level decision making body. For the year under review, land development applications were made by the district municipality on request of the municipality. These related to subdivision (1), subdivision and rezoning (1) and township (1).

| Job Level | Employees: Planning Services | | | | |
|-----------|------------------------------|-------|------------|----------------------------------|-----------------------------------|
| | 2013/ 2014 | Posts | 2014/ 2015 | | |
| | Employees | | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 0 - 3 | | | | | |
| 4 - 6 | | | | | |
| 7 - 9 | 1 | 1 | 1 | 0 | 0% |
| 10 - 12 | | | | | |
| 13 - 15 | 0 | 2 | 0 | 2 | 100% |
| 16 - 18 | | | | | |
| 19 - 20 | 1 | 1 | 1 | 0 | 0% |
| Total | 2 | 4 | 2 | 2 | 50% |

3.7 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Based on the limited economic resources and opportunities, insufficient access to basic services, joblessness, and feelings of powerlessness and indignity Nkonkobe Local Economic Development Strategy has identified four key pillars, among the four pillars; Tourism is listed as the second pillar on the strategy. Tourism focuses on the following targets, to develop social history and heritage. The rate of loss of employment is threatening to exacerbate the poverty levels. LED is a sub-national action within the context of a local labour market. The assumption is that the intervention by local authority, and its community and private sector partners, can assist in creating an environment and infrastructure conducive to investment, and can provide seed funding and give advice that contributes towards Tourism development. To strengthen tourism marketing in Nkonkobe working in partnership with the Nkonkobe Local Tourism Organisation is a crucial role of Tourism Development. To explore hunting,

game farming, eco-tourism and promote adventure tourism in Nkonkobe. To leverage off existing and potential tourism products in Nkonkobe, Nkonkobe Local Tourism Organisation in partnership with tourism unit has developed and designed a tourism marketing brochure, in order to market Nkonkobe as leading tourist destination in Amathole District Municipality.

The tourism unit has developed and also promoted tourism products to stimulate the local economy with a view of creating employment opportunities. The Tourism Unit in partnership with Nkonkobe Crafters Association has converted and refurbished the Arts and Craft Shop in Alice Tourism Offices Complex whereby all the handmade arts and craft items produced in Nkonkobe will be displayed and sold. The municipality has partnered with the Department of National Tourism in a project to rehabilitate and renovate the Fort Fordyce Nature Reserves and Mpofu Game Reserves which employed 110 local people for a period of two years to participate on the project. The tourism unit has been supporting technical and financially the Christmas in July Tourism Event in Hogsback in order to profile and promote the adventure tourism in Nkonkobe. The event temporally employed 35 local people to work during the event as car guards, tourist guides, cleaners and office administrators.

In addition destination planning and management should achieve a tourism development based on a balance between the conservation of existing natural and cultural resources, the economic viability of tourism and social equity in tourism development. The Tourism Section has been coordinating the Cultural Week Event every year on the month of September in order to celebrate, promote and create awareness about the Heritage and Tourism in Nkonkobe. The event plays a major role in terms of using the local SMME's to participate on the event and to stimulate the local economic development in Nkonkobe.

Tourism development is about sustaining the existing products and destination given the availability of resources and investment provided towards the planned development programme. The tourism unit role is to develop tourism products in Nkonkobe in order to package and promote tourism in the area in way to profile Nkonkobe as a leading tourism destination in Amathole District Municipality.

| Sector | 2014/ 2015 |
|---|------------|
| | No. |
| Manufacturing (Nomzamo Cleaning Cooperative) | 4 |
| Tourism Development Activities (Construction of Mthontsi Lodge) | 91 |
| Total | 95 |

| Capital Expenditure 2014/ 2015: Planning Services | | | | | |
|---|------------|-------------------|--------------------|-------------------------------|---------------------|
| Capital Projects | 2014/ 2015 | | | | Total Project Value |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | |
| Total All | 4405000 | 1884735 | 5376972 | 18% | |
| LED projects | 1 050 000 | 1184114 | 2 234 114.0 | 53% | 3 418 228.00 |
| CBP's | 1 155 000 | 700621 | 1 855 621.06 | 38% | 2 556 242.12 |
| Tractors with implements | 1 200 000 | 0 | 858 260.0 | -40% | -341 740.0 |

COMMENT ON LOCAL JOB OPPORTUNITIES:

The Strategic Planning and Local Economic Development Department is endeavouring on the comprehensive assessment of Local Economic Development (LED) initiatives in order to develop a model that will enhance the LED progress. The current focus of the sector ensures that different business sectors obtain suitable skills and legal status, form linkages between businesses and funding agencies and finally ensure that the branding and marketing development of businesses is achieved through partnering with development agencies and other relevant stakeholders. The recently conducted informal traders baseline clearly indicated that there is a huge opportunity of growth in terms of both business development and job creation, currently 89% (178 local people) and 11% (21 people) of people are involved in this sector with the annual growth turnover of R1 686 000 from various business intervention. These businesses are mostly operated by senior citizens with the view to complement their government grants.

The Municipal LED and CBP funding, much as it is focusing in uplifting the standard of living in the respective communities of Nkonkobe has also created both temporal and permanent employment in all the initiatives undertaken. During 2014/ 2015 FY the LED and CBP funding has created 104 job

opportunities for local people. These were created through community member's participation in construction of required structures and fencing of dams and grazing land.

The Municipality intends to improve the level economic development by ensuring that the local businesses receive full support and participate in decision making that will yield empowerment due to small businesses, entrepreneurs and micro farmers. The Municipality also will focus on empowering the local businesses on the advanced BBB-EE new approaches for effective local development and support relevant to businesses

| Jobs Created during 2014/2015 Financial Year by LED Initiatives (Excluding EPWP projects) | | | | |
|---|--------------|--|--------------------------------|--|
| Total Jobs created / Top 3 initiatives | Jobs created | Jobs lost/displaced by other initiatives | Net total jobs created in year | Method of validating jobs created/lost |
| | No. | No. | No. | |
| Total (all initiatives) | | | | |
| 2014/ 2015 | 312 | 0 | 312 | Contracts signed |
| Mithonsi Lodge Construction at Mount Pleasant | 91 | | | Contracts signed |
| Nomzamo Cleaning Services | 34 | | | Contracts signed |
| Nomzamo Grounds and Garden | 40 | | | Contracts signed |
| Fencing of Dam | 6 | | | Contracts signed |

| Job creation through EPWP* projects | | |
|-------------------------------------|---------------|------------------------------------|
| | EPWP Projects | Jobs created through EPWP projects |
| Details | No. | No. |
| 2011/ 2012 | 4 | 176 |
| 2012/ 2013 | 8 | 172 |
| 2013/ 2014 | 8 | 166 |
| 2014/ 2015 | 8 | 170 |

| Employees: Local Economic Development Services | | | | |
|--|-------|-----------|----------------------------------|-----------------------------------|
| 2014/ 2015 | | | | |
| Job Level | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | | | | |
| 4 - 6 | 2 | 2 | 0 | 0% |
| 7 - 9 | 5 | 0 | 5 | 100% |
| 10 - 12 | 9 | 5 | 4 | 44% |
| 13 - 15 | 1 | 1 | 0 | 0% |
| 16 - 18 | 0 | 0 | 0 | 0% |
| 19 - 20 | | | | 0% |
| Total | 17 | 8 | 9 | 53% |

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE

OVERALL:

Nkonkobe Local municipality has among its Service Delivery components, a Local Economic Development (LED) Unit which is attached to Strategic Planning and Local Economic Development Department. Its mandate is to strengthen the local economic development of Nkonkobe Local Municipality. In 2012 Council adopted an LED strategy which has four strategic pillars that brings strong guiding channels for effective development of the local economy. These pillars are strategic pillar number 1 (Agriculture) and 4 (Wholesales and Business sector).

To catalyse and strengthen the developmental initiatives, the unit has endeavoured to focus on the existing programmes based in both the rural and urban areas within Nkonkobe Local Municipalities. The unit has focused on 4 priority areas to support the local programmes; these are LED projects, Community Based Projects (CBP), fencing of grazing and crop fields and support with tractors and implements. For period under review an amount of R 1 050 000 was approved for support of LED projects, these are projects that are in the following clusters (e.g. Fort Beaufort, Alice, Middledrift and Seymour Balfour). An amount of R350 000.00 was adjusted from the original budget of R1050 000.00 under period of 2014/2015 Financial Year. Subsequently to that an amount of R188 232.64 was actually spent on LED initiatives from the R350 000.00 that was adjusted to support LED Initiatives. The support system for LED Funding varies from support with building material, production equipment and other LED initiatives related needs.

From the substantial amount allocated the need for budget adjustment was dire due to the vastness of the area, therefore the view to adjust the budget was raised, supported and approved. An amount of R 350 000.00 was approved during the budget adjustment with the view of Financial constraints of Nkonkobe Local Municipality. The total project budget for period under review is set at R350 000.00 with the negative variance of – 70%. The – 70% variance resulted from the outstanding LED projects of 2014/2015 FY.

To catalyse and strengthen the developmental initiatives, the unit has endeavoured to focus on the existing programmes based in both the rural and urban areas within Nkonkobe Local Municipalities. The unit has focused on 4 priority areas to support the local programmes; these are LED projects, Community Based Projects (CBP), fencing of grazing and crop fields and support with tractors and implements. For period under review an amount of R 120 000.00 was approved for support of CBP projects, these are projects that are in the following clusters (e.g. Fort Beaufort, Alice, Middledrift and Seymour Balfour). An amount of R500 000.00 was adjusted from the original budget of R120 000.00 under period of 2014/2015 Financial Year. Subsequently to that an amount of R295778.52 was actually spent on LED initiatives from the R500 000.00 that was adjusted to support LED Initiatives. The support system for LED Funding varies from support with building material, production equipment and other LED initiatives related needs.

From the substantial amount allocated the need for budget adjustment was dire due to the vastness of the area, therefore the view to adjust the budget was raised, supported and approved. An amount of R500 000.00 was approved during the budget adjustment with the view of Financial constraints of Nkonkobe Local Municipality. The total project budget for period under review is set at R500 000.00 with the negative variance of – 76%. The – 76% variance resulted to under - spending that emanated from the outstanding LED projects of 2014/2015 FY that were not funded and under spending that occurred due to delayed provision of services by appointed service providers, this led to the termination of contracts and financial constraints.

Nkonkobe Local Municipality felt a need to assist famers with tractor activities to encourage cropping and vegetable production in rural communities. To address this matter the Municipality felt a need to purchase the 2 rippers that can be hired out to the communities at a reasonable rate. For period under review the municipality allocated an amount of R400 000.00, this amount was used resulting to 100% under-spending as rippers amounted to R61 600.00.

3.8 CEMETORIES AND CREMATORIUMS

Nkonkobe Municipality has a total of seven cemeteries that are located in urban areas which are being maintained by the municipality. Four is in Fort Beaufort, Alice, Middledrift and Seymour. Two

cemeteries in Fort Beaufort are full and the municipality has contracted a service provider to look for a space to be used for such. The municipality only has one permanent staff responsible for management of these seven cemeteries and that makes it difficult to maintain them as expected. We only rely in the appointment of casual workers to maintain the cemeteries. Due to limited resources, the municipality focuses on those that are situated in town for maintenance.

The municipality has also a programme of fencing rural cemeteries which are identified by ward councillors in consultation with the members of the community in their respective wards in each financial year. During the financial year under review the municipality has budgeted to fence 18 rural cemeteries but due to limited resources that target was not achieved. The fencing is labour intensive as the workers are taken from the communities and are trained on how fencing is done.

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIALS OVERALL:

In order to keep the cemeteries in a clean condition a maintenance plan will be in place and will be implemented in the next financial year. The maintenance plan will include the cutting of grass and the cleaning of these sites on weekly basis. To ensure that the graves are provided in time or as requested certain days will have to be allocated for the digging of graves. The cutting of grass at some grave sites will be done by EPWP workers with the assistance of municipal workers. Also fencing and routine maintenance of these graves is done in-house and is proving to be beneficial to the municipality.

3.9 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

The municipality has an established Special Programmes Unit (SPU) under the office of the Mayor. However, in terms of reporting lines, this unit reports to the Senior Manager: Strategic Planning and Local Economic Development. The core focus of the unit is the implementation of youth, disabled, women, elderly and children programmes and projects. The Special Programmes Unit (SPU) facilitates the integration and mainstreaming of the designated groups into the development of the Municipality by: Creating the necessary/conducive environment both internal and external through establishment of structures that will promote participation of youth, Woman, Disabled, Children, Elderly and HIV/AIDS

infected individuals in our local Municipality. Developing Policies, strategies and plans for the above groups for integration, mainstreaming, and alignment of such policies, plan and strategies into the sector plans of the Local Municipality. Maintaining a mutual relationship between stakeholders in an endeavour to share experiences, align programmes and plans harness resources for better implementation of policies, strategies and plans

Below is the list of special project and programmes that the municipality during the period under review:

- Partnership with NGO's
- Miss Nkonkobe beauty pageant
- Youth Build (NYDA)
- Women Empowerment
- Older Persons Service Centre's
- HIV/AIDS Programmes/Campaigns

Relations and Partnerships established

SPU has strong partnership/relationship with NGO's such as Love Life, Indyebo Community Development Forum (alignment of programmes with SPU and financial assistance), Footprints of Hope (computer lab/school for young people around the area of Nkonkobe), Fort Beaufort Children & Orphanage Service Centre (Capacity Building and Financial Assistance) and Eluthandweni Rehabilitation Centre (financial assistance)

Another key and successful project was Youth Build; this was a programme involving Nkonkobe Local Municipality, National Youth Development Agency (NYDA) and Eastern Cape Department of Human Settlements – which conducted Youth Build training. The purpose of the youth build was to provide youth with Nkonkobe Local Municipal Area with a workplace-based learning opportunities and hands-on, practical experience, with a particular focus on construction opportunities. Target group, unemployed young people between the ages of 18-35 and 60% women and 40% men. There were a number of youth in Nkonkobe who go the necessary training on this project and will be utilised even in some of the municipal infrastructural projects.

3.10 FIRE

Nkonkobe Municipal Fire and Rescue Unit as a first responder to incidents is dedicated to protecting and serving the entire community with a commitment to professionalism and performance excellence. The municipality contributes to prevention of human life from fire and other hazards, advance public safety through fire prevention, investigation and educational programmes.

The core functions of the unit are the following:

- Fire suppression: deliver fire & rescue services to all Nkonkobe residents,
- Fire prevention: Improve quality of life through pro-active services, including education, inspection and awareness campaigns,
- Fire administration: provide leadership and visionary and direction for the Nkonkobe Fire & Rescue Services.

The average turnout varies between day and night. During the day, turnout is 3 minutes from the time of the call, depending on the location of the call. It varies from 10 minutes to 45 minutes on tarred road, taking more than an hour to rural areas. Night time turnout takes between 20 minutes to 30 minutes due to response from home.

| Employees: Fire Services | | | | |
|--------------------------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2014/2015 | | | |
| Fire Fighters | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| Administrators | No. | No. | No. | % |
| Chief Fire Officer | 1 | 1 | 0 | 0% |
| Other Fire Officers | | | | |
| 0 - 3 | | | | |
| 4 - 6 | | | | |
| 7 - 9 | 6 | 1 | 5 | 83% |
| 10 - 12 | 1 | 0 | 1 | 100% |
| 13 - 15 | | | | |
| 16 - 18 | | | | |
| 19 - 20 | | | | |
| Total | 8 | 2 | 6 | 75% |

3.11 SPORT AND RECREATION

SPORT may be defined as an activity that requires a significant level of physical involvement and in which participants engage in either a structured or unstructured environment, for the purpose of

declaring a winner, though not solely so; or purely for relaxation, personal satisfaction, physical health, emotional growth and development. **RECREATION** is a guided process of voluntary participation in any activity which contributes to the improvement of general health, well-being and the skills of both the individual and society.

The Municipality's key stakeholder in the development of Sport and Recreation is the Nkonkobe Sports Council (NSC). Nkonkobe Sports Council provides technical support to the Municipality to facilitate and development of sport in our Communities. [Furthermore] The Municipality assists the NSC in developing structured sporting codes in communities by having an operational plan that includes administration workshops, coaching and umpiring clinics in order to have a high standard of competitions in the area.

Priorities

1. Nkonkobe Mayors Cup

Nkonkobe Municipality Provides financial support to Associations at town level and in individual participation through the Nkonkobe Mayors Cup. Codes participating at town level are boxing; Cricket, netball, rugby, hockey & football and individual participation codes are horse racing & athletics (10km race). The financial support comes in the form of prize money after the tournament finals and is intended to assist the Associations in doing administrative duties. The Department of Sport, Recreation, Arts and Culture (Amathole District) assist by selecting players to be part of the Amathole Mayors Cup tournament. It also affords an opportunity to athletes to be scouted by academies and other Federations for their development. The host area for the tournament rotates annual amongst the Administrative towns of Nkonkobe and a legacy is left in order to improve the quality of sport in that area. This legacy is in the form of levelling sports fields and having proper goal posts installed for codes identified by the LOC and also guided by budget availability.

2. Wards Championships

Nkonkobe Municipality Provides financial support to affiliated clubs in the Nkonkobe area through the Nkonkobe Wards Championship tournament. Participating codes are netball, football and rugby. In efforts of having more clubs within our Municipality we involve the Councillors to assist in motivating the

local clubs to become affiliates of local Federations in order for them to be part of the tournament. The financial support comes in the form of vouchers in order for the clubs to purchase equipment needs for their clubs. The Federations do selection of players that would participate in the Nkonkobe Mayors Cup.

3. Nkonkobe National Heritage Rugby Tournament

Nkonkobe Municipality Provides financial support to the custodians of the tournament who are the Victoria East Rugby Union and UFH Rugby Club to develop rugby at local level and also at national level. The tournament accommodates for 13 local clubs falling within the Nkonkobe Municipal boundaries and 7 premier league status clubs from other parts of the country. From all these tournaments a key component of scouting and identifying talent from the athletes is always accommodated by inviting the relevant academies and Federations at District level.

4. Sports Council Programmes

Nkonkobe Municipality provides financial support to the NSC in order for their office to function as the coordinating and monitoring structure of sport in the communities. Their programmes aim at ensuring local Sport Councils and Federations are functional & in good standing. Ensuring the safety and development of its members.

| Employees: Sport and Recreation | | | | |
|---------------------------------|-------|-----------|----------------------------------|-----------------------------------|
| 2014/2015 | | | | |
| Job Level | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | | | | |
| 4 - 6 | | | | |
| 7 - 9 | | | | |
| 10 - 12 | 2 | 2 | 0 | 0% |
| 13 - 15 | | | | |
| 16 - 18 | | | | |
| 19 - 20 | | | | |
| Total | 2 | 2 | 0 | 0% |

3.12 EXECUTIVE AND COUNCIL

The collective leadership is established in terms of chapter 4 of the Local Government: Municipal Structures Act 1998 (Act 117 of 1998) – (Internal Structures and Functionaries). In Part 1 deals with the establishment of the executive committees. Nkonkobe Local Municipality has collective executive

systems which allows for the exercise of executive authority through an executive committee in which the executive leadership of the municipality is collectively vested.

The Municipal Council is established in terms of section 157 (1) of the Constitution of the Republic of South Africa 1996 and Section 22 (1) of the Local Government: Municipal Structures Act 1998. This section stipulates that a local council consists of councillors elected in accordance with schedule 1, by voters on the municipal segment of the national common voters roll to proportionally represent parties and by voters represented in the wards to directly represent their wards. It is composed of the Speaker of Council who presides at meetings of the council and must ensure that council meets at least quarterly, the Chief Whip who is appointed by council and has to ensure that councillors attend to their duties and account to their constituencies and gives political management of council meetings and councillors elected in terms of schedule 1.

| Employees: The Executive and Council | | | | |
|--------------------------------------|------------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2014/ 2015 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | | | | |
| 4 - 6 | | | | |
| 7 - 9 | 4 | 3 | 1 | 25% |
| 10 - 12 | 2 | 1 | 1 | 50% |
| 13 - 15 | | | | |
| 16 - 18 | 1 | 1 | 0 | 0% |
| 19 - 20 | | | | |
| Total | 7 | 5 | 2 | 29% |

3.13 FINANCIAL SERVICES

Department of Finance is the hub of the municipality as it creates an enabling environment for the municipality to render services to the community. The key highlights for financial services department during the period under review as follows:

- Having managed to raise accurate accounts and deliver them to consumers with a reasonable period of time
- s71 reports were submitted monthly to National Treasury by not later than the 10th working day
- Compile and submit AFS to AG by 31 August
- Developed and maintained a GRAP compliant asset register

- Managed to raise revenue and manage the cashflow of the municipality so as to keep the municipality afloat and in a position to render services to the community of Nkonkobe Municipality.

| Debt Recovery | | | | |
|--|----------------------------|----------------|------------------------------------|---|
| Details of the types of account raised and recovered | R' 000 | | | |
| | 2013/ 2014 | 2014/ 2015 | | |
| | Actual for accounts billed | Billed in Year | Actual for accounts billed in year | Proportion of accounts value billed that were collected % |
| Property Rates | 35,299,594.00 | 52 998,116.00 | 27 955,133.27 | 53% |
| Electricity - B | 273,727.00 | 250 000.00 | 290 048.00 | 116% |
| Electricity - C | 28,009,498.00 | 30 787 752.00 | 13 806 366.82 | 45% |
| Refuse | 9,440,372.00 | 10 049 928.00 | 2 570 674.53 | 26% |
| Other | 2 473 492.00 | 835 367.00 | 835 367.00 | 100% |

B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.

| Employees: Financial Services | | | | |
|-------------------------------|------------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2014/ 2015 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | |
| 4 - 6 | 0 | 0 | 0 | |
| 7 - 9 | 17 | 8 | 9 | 53% |
| 10 - 12 | 15 | 12 | 3 | 20% |
| 13 - 15 | 2 | 2 | 0 | 0% |
| 16 - 18 | 8 | 5 | 3 | 38% |
| 19 - 20 | 1 | 1 | 0 | 0 |
| Total | 43 | 28 | 15 | 35% |

Debt management and revenue collection is one of the core functions of the municipality that plays a pivotal role and both these functions enable the municipality to render basic services to the communities. Although the municipality is a rural municipality it has continually strived to be self-sufficient through generating its own revenue in order to fund its activities and debt management and collection is one of the strides that was undertaken to collect revenue.

The collection percentage per service type for the year 2014/2015 is as follows:

For rates the municipality has managed to collect 53% of the total amount billed and this is due to the fact that the municipality implemented 3 supplementary valuation rolls of which the last one was implemented one month before the financial year end thus giving the municipality less time to implement debt management before the close of the year. Basic electricity yielded a return of 116% while collection for electricity consumption stands at 45%. Electricity tampering and ill-infrastructure remain one of the biggest attributing factors to low collection of electricity income. Refuse collection yielded a return of 33% and the main attributing factor are the limited means and controls that can be implemented by the municipality to prompt payment in areas where the electricity is supplied by Eskom.

While the municipality implements its debt management strategies with great tenacity, there are, however, challenges that clouds these achievements such as the ability of our debtors to settle their current debt within 30 days and settle their arrear accounts within one financial year. The verification of government properties prior to government settling their rates accounts also hinders on the municipal collection efforts as these verification exercises are lengthy and the relevant government offices performing this exercise are under capacitated. Another attributing factor to the low collection in service charges is the areas whose supply of electricity is not under Nkonkobe municipality, as it is hard to implement controls (electricity cut-off) to probe payment for services rendered and for property rates.

3.14 HUMAN RESOURCE SERVICES

Nkonkobe Local Municipality has a huge challenge in retaining staff in general. This can be attributed to the fact that the labour market in which we operate and most other factors such as the inability of the organisation to introduce relevant incentive schemes that will contribute positively to staff retention. Provision for the filling of vacancies is done annually, and the biggest challenge in filling vacancies relates to financial constraints.

| Employees: Human Resource Services | | | | |
|------------------------------------|-------|-----------|----------------------------------|-----------------------------------|
| 2014/ 2015 | | | | |
| Job Level | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | 0 | 0 | 0 | 0% |
| 4 - 6 | 0 | 0 | 0 | 0% |
| 7 - 9 | 1 | 1 | 0 | 0% |

| | | | | |
|--------------|-----------|----------|----------|------------|
| 10 - 12 | 7 | 4 | 3 | 43% |
| 13 - 15 | 2 | 2 | 0 | 0% |
| 16 - 18 | 1 | 0 | 1 | 100% |
| 19 - 20 | 0 | 0 | 0 | 0% |
| Total | 11 | 7 | 4 | 36% |

3.15 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The ICT unit is responsible for carrying out in an effective manner the following functions:

- Planning
- Network
- Data
- Security
- Support

ICT contributes in development of the business objectives; customize software to meet the needs of the various departments in Nkonkobe Local Municipality. ICT is also there to assist in increasing flexibility and responsiveness. Another major function is to develop and operate a network to support effective communication and collaboration. Tools are developed to collect, store, and monitor, secure and distribute data to employees who need access to information.

As per the ISO standards the municipality must have a datacentre with restricted access to store all the data. A server room was constructed with new servers installed with enough capacity to store all data and accessible to everyone relevant to a particular application requested. A backup system is in place to protect the users from losing their data and is monitored timeously.

All satellite offices are linked to the main site for connectivity via a Telkom VPN link and they can access the internet and email with ease. Also a website has been developed and information is being uploaded. An ICT strategy was developed and has been adopted, making it easy to govern the ICT unit.

| Employees: ICT Services | | | | | |
|-------------------------|------------|------------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2013/ 2014 | 2014/ 2015 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| 7 - 9 | 0 | 1 | 0 | 1 | 100% |
| 10 - 12 | 0 | 2 | 0 | 2 | 100% |
| 13 - 15 | 3 | 5 | 3 | 2 | 40% |
| 16 - 18 | 1 | 2 | 1 | 1 | 50% |
| Total | 4 | 10 | 4 | 6 | 60% |

3.16 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

| Employees: Property; Legal; Risk Management; and Procurement Services | | | | |
|---|------------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2014/ 2015 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 7 - 9 | 7 | 6 | 1 | 14% |
| 10 - 12 | 3 | 2 | 1 | 33% |
| 13 - 15 | 3 | 2 | 1 | 67% |
| 16 - 18 | 2 | 2 | 0 | 100% |
| Total | 15 | 12 | 3 | 20% |

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

| Employees | | | | | |
|-----------------------------------|------------|----------------|------------|------------|------------|
| Description | 2013/ 2014 | 2014/ 2015 | | | |
| | Employees | Approved Posts | Employees | Vacancies | Vacancies |
| | No. | No. | No. | No. | % |
| Electricity | 15 | 19 | 12 | 7 | 37% |
| Waste Management | 61 | 90 | 51 | 39 | 43% |
| Housing | 3 | 7 | 3 | 4 | 57% |
| Roads | 17 | 45 | 12 | 33 | 73% |
| Transport | 13 | 16 | 13 | 3 | 19% |
| Local Economic Development | 9 | 11 | 8 | 3 | 27% |
| Planning (Strategic & Regulatory) | 2 | 3 | 2 | 1 | 33% |
| Local Economic Development | 9 | 11 | 8 | 3 | 27% |
| Community & Social Services | 18 | 35 | 15 | 20 | 57% |
| Environmental Protection | 1 | 4 | 1 | 3 | 75% |
| Security and Safety | 32 | 62 | 47 | 15 | 24% |
| Sport and Recreation | 1 | 2 | 2 | 0 | 0% |
| Totals | 181 | 305 | 174 | 131 | 43% |

| Vacancy Rate: 2014/ 2015 | | | |
|---|-----------------------|--|---|
| Designations | *Total Approved Posts | *Vacancies (Total time that vacancies exist using fulltime equivalents) | *Vacancies (as a proportion of total posts in each category) |
| | No. | No. | % |
| Municipal Manager | 1 | 1 | 100% |
| CFO | 1 | 0 | 0% |
| Other S57 Managers (excluding Finance Posts) | 3 | 0 | 0% |
| Other S57 Managers (Finance posts) | 1 | 0 | 0% |
| Peace officers | 20 | 3 | 15% |
| Fire fighters | 16 | 11 | 69% |
| Senior management: Levels 13-16 (excluding Finance Posts) | 21 | 7 | 33% |
| Senior management: Levels 13-16 (Finance posts) | 9 | 3 | 33% |
| Highly skilled supervision: levels 9-12 (excluding Finance posts) | 49 | 14 | 29% |

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| | | | |
|---|------------|-----------|------------|
| Highly skilled supervision: levels 9-12 (Finance posts) | 5 | 0 | 0% |
| Total | 126 | 39 | 31% |

| Turn-over Rate | | | |
|----------------|--|--|-----------------|
| Details | Total Appointments as of beginning of Financial Year No. | Terminations during the Financial Year No. | Turn-over Rate* |
| 2013/ 2014 | 38 | 28 | 74% |
| 2014/ 2015 | 10 | 18 | 180% |

4.2 POLICIES

| HR Policies and Plans | | | | |
|-----------------------|---|--------------------|-------------------|---|
| | Name of Policy | Completed % | Reviewed % | Date adopted by council or comment on failure to adopt |
| 1 | Affirmative Action | | | |
| 2 | Attraction and Retention | 100% | | 5-Dec-12 |
| 3 | Code of Conduct for employees | 100% | | |
| 4 | Delegations, Authorisation & Responsibility | 100% | | 28-Jan-13 |
| 5 | Disciplinary Code and Procedures | 100% | | SALGBC Guidelines |
| 6 | Essential Services | | | |
| 7 | Employee Assistance / Wellness | 100% | | 5-Dec-12 |
| 8 | Employment Equity | 100% | | |
| 9 | Exit Management | 100% | | 1-Jul-11 |
| 10 | Grievance Procedures | 100% | | SALGBC Guidelines |
| 11 | HIV/Aids | 100% | | SALGBC Guidelines |
| 12 | Human Resource and Development | | | |
| 13 | Information Technology | 100% | | 28-Jan-13 |
| 14 | Job Evaluation | | | |
| 15 | Leave | 100% | | 5-Dec-12 |
| 16 | Occupational Health and Safety | 100% | | 5-Dec-12 |
| 17 | Official Housing | | | |
| 18 | Official Journeys | | | |

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|---|---|------|--|-------------------------------------|
| 19 | Official transport to attend Funerals | | | |
| 20 | Official Working Hours and Overtime | 100% | | As per Basic Conditions of Services |
| 21 | Organisational Rights | 100% | | SALGBC Guidelines |
| 22 | Payroll Deductions | 100% | | |
| 23 | Performance Management and Development | 100% | | 29-Mar-11 |
| 24 | Recruitment, Selection and Appointments | 100% | | 5-Dec-12 |
| 25 | Remuneration Scales and Allowances | 100% | | |
| 26 | Resettlement | | | SALGBC Schedule |
| 27 | Sexual Harassment | | | |
| 28 | Skills Development | 100% | | 29-Mar-11 |
| 29 | Smoking | | | |
| 30 | Special Skills | | | |
| 31 | Work Organisation | | | |
| 32 | Uniforms and Protective Clothing | | | |
| 33 | Travel & Subsistence Policy | 100% | | 5-Dec-12 |
| 34 | Demotion & Transfer Policy | 100% | | 5-Dec-12 |
| 35 | Cellular Phone Policy | 100% | | 5-Dec-12 |
| 36 | Fleet Management Policy | 100% | | 5-Dec-12 |
| 37 | Induction Policy | 100% | | 5-Dec-12 |
| 33 | Other: | | | |
| Use name of local policies if different from above and at any other HR policies not listed. | | | | |
| T 4.2.1 | | | | |

4.3 INJURIES, SICKNESS AND SUSPENSIONS

| Number of days and Cost of Sick Leave (excluding injuries on duty) | | | | | | |
|--|------------------|--|----------------------------|--------------------------|-----------------------------------|----------------|
| Salary band | Total sick leave | Proportion of sick leave without medical certification | Employees using sick leave | Total employees in post* | *Average sick leave per Employees | Estimated cost |
| | Days | % | No. | No. | Days | R' 000 |
| Lower skilled (Levels 1-2) | 0 | 0% | 0 | 0 | 0.00 | |
| Skilled (Levels 3-5) | 128 | 16% | 29 | 69 | 0.46 | |
| Highly skilled production (levels 6- | 230 | 28% | 47 | 106 | 0.83 | |

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|--|------|-----|-----|-----|------|---|
| 8) | | | | | | |
| Highly skilled supervision (levels 9-12) | 647 | 28% | 66 | 67 | 2.34 | |
| Senior management (Levels 13-15) | 77 | 16% | 12 | 30 | 0.28 | |
| MM and S57 | 22 | 2% | 3 | 4 | 0.08 | |
| Total | 1104 | 15% | 157 | 276 | 4.00 | 0 |

* - Number of employees in post at the beginning of the year

*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

| Number and Period of Suspensions | | | | |
|----------------------------------|--|--------------------|---|---|
| Position | Nature of Alleged Misconduct | Date of Suspension | Details of Disciplinary Action taken or Status of Case and Reasons why not Finalized | Date Finalized |
| Manager: Electricity | The employer was charged for failing to manage the electricity department causing the municipality to incur millions in revenue loss as a result of tempering and by-passing of meter boxes by the consumers | 28 October 2014 | The matter was postponed twice at instance of the employee part. DC was rescheduled for April and still not finalised | The case is still in progress as at June 2015 |
| Manager: PMU | Gross insubordination | May 2015 | Contract of Employment expired before the case could be finalized | September 2015 |
| Plant Operator X2 | Theft | 3 July 2015 | No delays | Matter was finalised in September 2014 |

4.4 PERFORMANCE REWARDS

There were no performance rewards given to employees during the period under review.

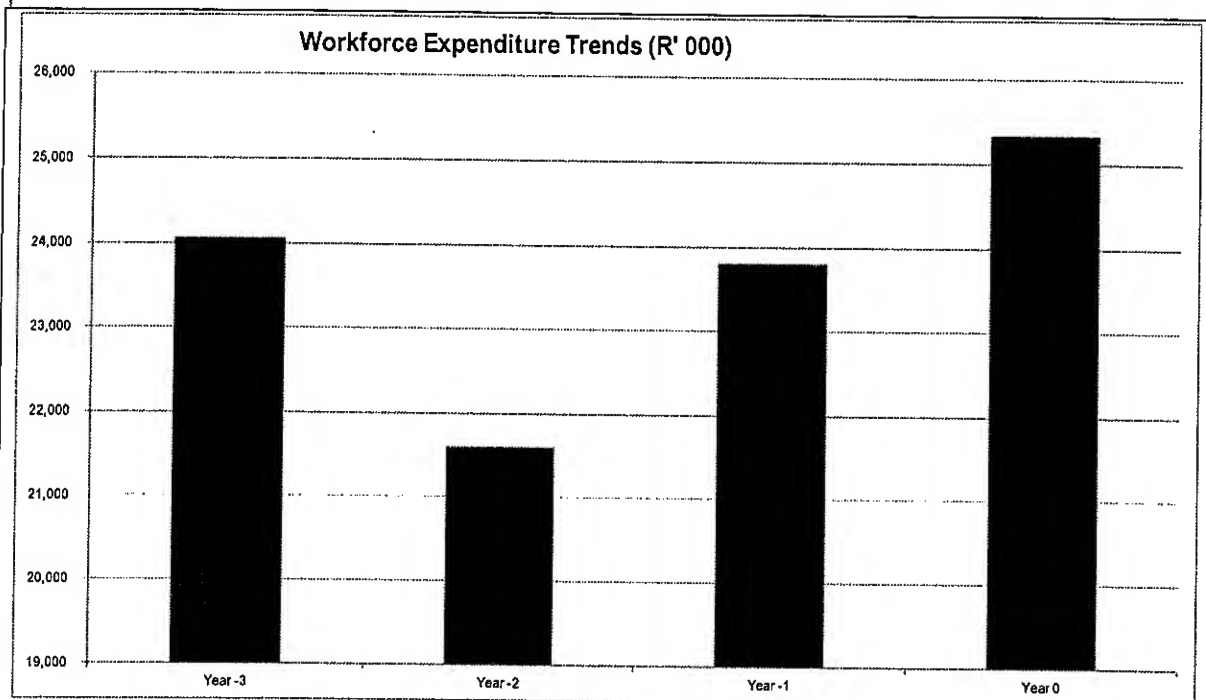
4.5 SKILLS DEVELOPMENT AND TRAINING

*Registered with professional Associate Body e.g CA (SA)

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

There is effective implementation of training plans and the variance between actual and budgeted expenditure was caused by some cancellation of payments. The level of expenditure will increase in future years.

4.6 EMPLOYEE EXPENDITURE



Source: MBRR SA22

T 4.6.1

| Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded | | |
|---|--------|-------|
| Beneficiaries | Gender | Total |
| Lower skilled (Levels 1-2) | Female | 11 |
| | Male | 18 |
| Skilled (Levels 3-5) | Female | 25 |
| | Male | 68 |
| Highly skilled production (Levels 6-8) | Female | 28 |
| | Male | 44 |

| | | |
|---|--------|-----|
| Highly skilled supervision (Levels9-12) | Female | 24 |
| | Male | 36 |
| Senior management (Levels13-16) | Female | 10 |
| | Male | 9 |
| MM and S 57 | Female | |
| | Male | |
| Total | | 273 |

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|---|---------------------|----------------------|--------------------|---------------------------|
| Occupation | Number of employees | Job evaluation level | Remuneration level | Reason for deviation |
| UNSKILLED | 73 | TG2- TG4 | TG3 - TG5 | INTERNAL SALARY INCREASES |
| SEMI SKILLED | 138 | TG5 -TG9 | TG6 - TG10 | INTERNAL SALARY INCREASES |
| SKILLED | 47 | TG10 -TG14 | TG11- TG15 | INTERNAL SALARY INCREASES |
| MANAGEMENT | 15 | TG15 -TG19 | TG16 -TG20 | INTERNAL SALARY INCREASES |

CHAPTER 5 – FINANCIAL PERFORMANCE

Finance department is divided into 5 sub sections namely, revenue, expenditure, supply chain, assets and budget section in the year under review. The municipality's revenue collected (Excluding Grants) increased by 30.28% as compared to the previous financial year. The biggest portion of the increase is due to debt collection strategies that were put in place. Expenditure increased by 0.66% when compared to the prior year.

Spending on capital budget was 84% compared to the budget. The municipality has applied for MIG roll-over of R 6.1 million. Only R 3.8 million of R 6.1 million was approved.

The municipality engaged services of outside service provider to a limited extent when compared to prior years. Most projects were implemented using in-house resources. Consultants were only used where the municipality did not have the required expertise on the project.

| PROJECT NAME | AMOUNT PAID |
|--|-----------------|
| Construction of council chamber | R 16 635 742.75 |
| Electrification of rural areas | R 1 503 939.02 |
| Implementation of energy efficiency and demand side management programme | R 3 024 398.80 |
| Consulting services for construction of council chamber | R 2 705 088.27 |
| Construction of Middledrift chicken abattoir | R 979 671.36 |

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Refer to Annual Financial Statements as annexed

5.2 GRANTS

| Grant Performance | | | | | | | R' 000 |
|---------------------------------------|---------|--------|--------------------|--------|---------------------|------------------------|--------|
| Description | Year -1 | Year 0 | | Actual | Year 0 Variance | | |
| | Actual | Budget | Adjustments Budget | | Original Budget (%) | Adjustments Budget (%) | |
| Operating Transfers and Grants | | | | | | | |
| National Government: | | 97 878 | 97 878 | 97 878 | | | |
| Equitable share | | 94 338 | 94 338 | 94 338 | | | |
| Municipal Systems Improvement | | 890 | 890 | 890 | | | |

| | | | | | | |
|---|----------|----------------|----------------|----------------|----------|--|
| Department of Water Affairs | | - | - | - | | |
| Levy replacement | | - | - | - | | |
| Other transfers/grants [insert description] | | 2 650 | 2 650 | 2 650 | | |
| Provincial Government: | | 2 880 | 9 599 | 13 280 | | |
| Health subsidy | | | | | | |
| Housing | | | | | | |
| Ambulance subsidy | | | | | | |
| Sports and Recreation | | | | 801 | | |
| Other transfers/grants [insert description] | | | | | | |
| Other: EPWP | | 2 180 | | 2 180 | | |
| Other: INEP | | - | 3 600 | 3 600 | | |
| Other: EDDMS | | - | 5 999 | 5 999 | | |
| Other: ECDLGTA | | 700 | | 700 | | |
| District Municipality: | | - | - | - | | |
| [insert description] | | | | | | |
| Other grant providers: | | - | - | - | | |
| [insert description] | | | | | | |
| Total Operating Transfers and Grants | - | 100 758 | 107 477 | 111 158 | 0 | |

5.3 ASSET MANAGEMENT

Asset management refers to all activities and process carried out during the cycle of acquisition or construction, maintenance, renewal or refurbishment and disposal of all resources consumed during the provision of services by the municipality to the communities or customers. These resources are consumed on the basis that there is future economic benefit derived from their consumption or their utilisation results in economic benefit for the municipality.

The municipality implemented a full GRAP compliance assets register in 2011-2012 financial year. An asset management policy was designed and is in the implementation stage. In the meantime, the municipality is making use of the Asset Management Framework that was issued by National Treasury in 2008. The municipality maintains two assets registers, namely movable asset register and immovable asset register. The municipality compiles movable asset register on its own, and uses service providers to compile immovable asset register. The asset management division consists of an asset clerk, asset management officer and the chief accountant. The division is not fully capacitated as yet, as there are still vacant posts with the section. The asset management staff attended asset trainings within the year under review, including GRAP updates.

Capital assets are classified as follow:

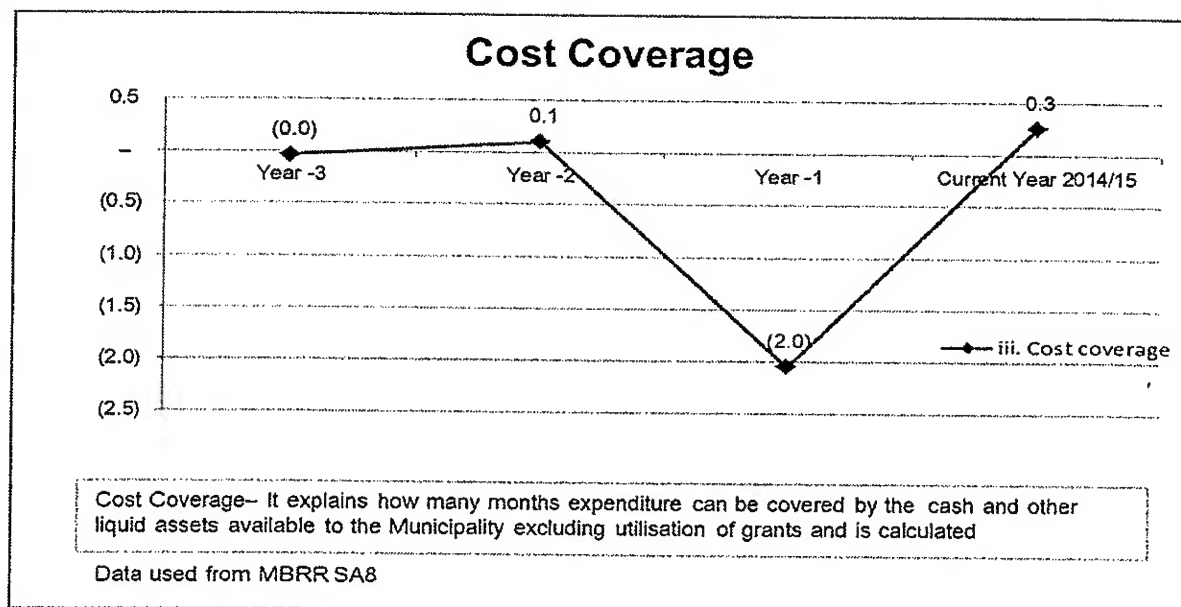
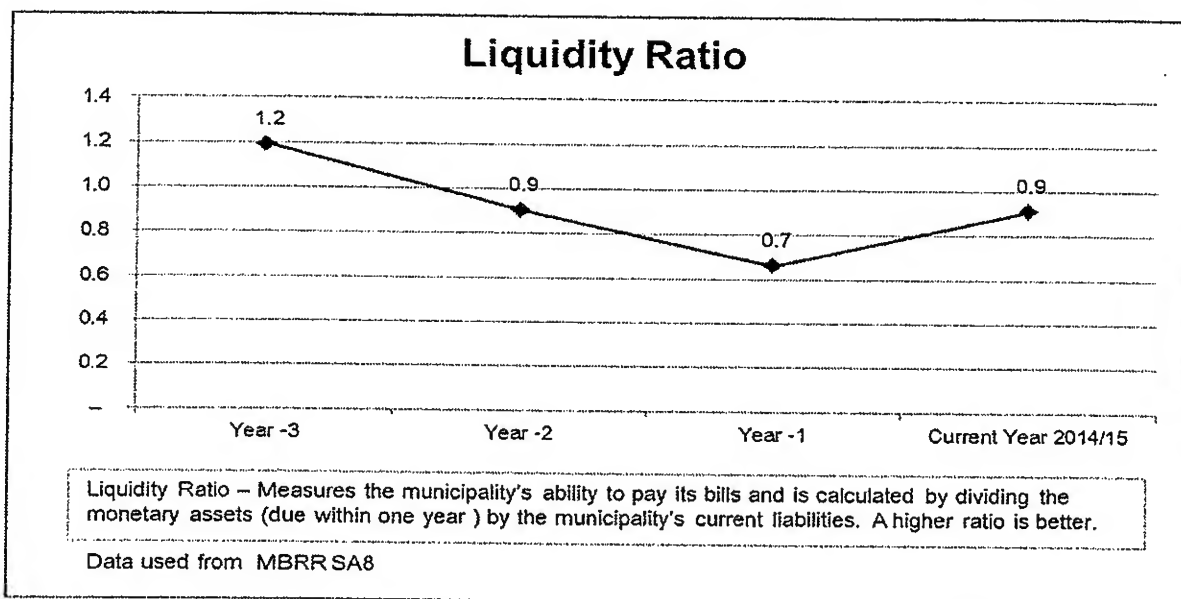
- Property plant and equipment
- Land and Buildings
- Infrastructure Assets
- Heritage Assets

| TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2014/ 2015 | | | | |
|--|---|---------|-----------|-----------|
| Asset 1 | | | | |
| Name | DOZER D6R | | | |
| Description | TIPPER TRUCK CLA 26 280 | | | |
| Asset Type | PLANT | | | |
| Key Staff Involved | FLEET MANAGER | | | |
| Staff Responsibilities | CONTROLLING AND MAINTANANCE OF MUNICIPAL ASSETS | | | |
| Asset Value | Year -3 | Year -2 | Year -1 | Year 0 |
| | - | - | 1 229 321 | 2 788 258 |
| Capital Implications | | | | |
| Future Purpose of Asset | REVENUE GENERATION AND SERVICE DELIVERY | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | ASSET MANAGEMENT POLICY | | | |
| Asset 2 | | | | |
| Name | REFUSE TRUCK 19M3 ISUZU | | | |
| Description | TIPPER TRUCK CLA 26 280 | | | |
| Asset Type | PLANT | | | |
| Key Staff Involved | FLEET MANAGER | | | |
| Staff Responsibilities | CONTROLLING AND MAINTANANCE OF MUNICIPAL ASSETS | | | |
| Asset Value | Year -3 | Year -2 | Year -1 | Year 0 |
| | | | | 1 334 765 |
| Capital Implications | | | | |
| Future Purpose of Asset | REVENUE GENERATION AND SERVICE DELIVERY | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | ASSET MANAGEMENT POLICY | | | |
| Asset 3 | | | | |
| Name | GRADER 140K | | | |
| Description | TIPPER TRUCK CLA 26 280 | | | |
| Asset Type | PLANT | | | |
| Key Staff Involved | FLEET MANAGER | | | |
| Staff Responsibilities | CONTROLLING AND MAINTANANCE OF MUNICIPAL ASSETS | | | |
| Asset Value | Year -3 | Year -2 | Year -1 | Year 0 |
| | | | 626 000 | 1 419 847 |
| Capital Implications | | | | |
| Future Purpose of Asset | REVENUE GENERATION AND SERVICE DELIVERY | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | ASSET MANAGEMENT POLICY | | | |
| T 5.3.2 | | | | |

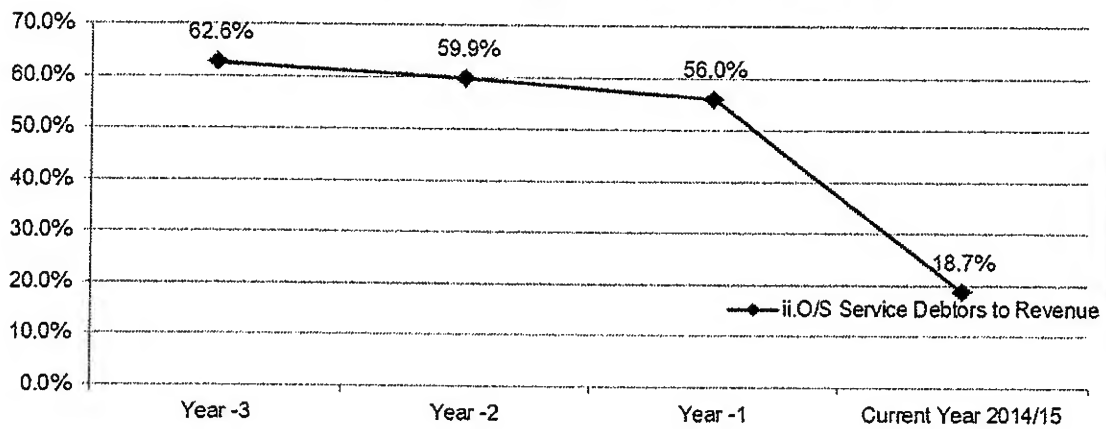
| Repair and Maintenance Expenditure: 2014/ 2015 | | | | |
|--|-----------------|-------------------|-------------|-----------------|
| | | | | R' 000 |
| | Original Budget | Adjustment Budget | Actual | Budget variance |
| Repairs and Maintenance Expenditure | R6 960 000 | R5 267 504 | R17 752 252 | -155% |

Repairs and maintenance in the year under review was 7% of total expenditure. The actual amount spent was 55% more than the budget. Explanation for variance is on Appendix B of the Annual Financial Statements.

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

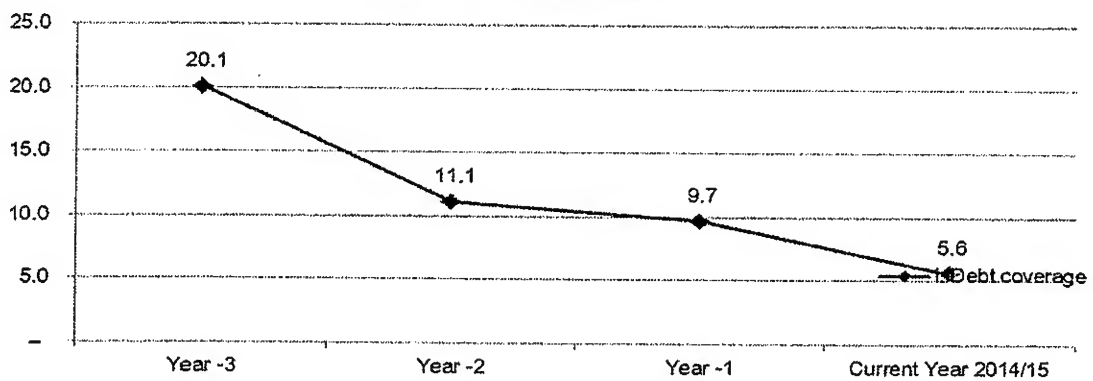


Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total-outstanding-debtors by the total-annual-revenue. A lower score is better.

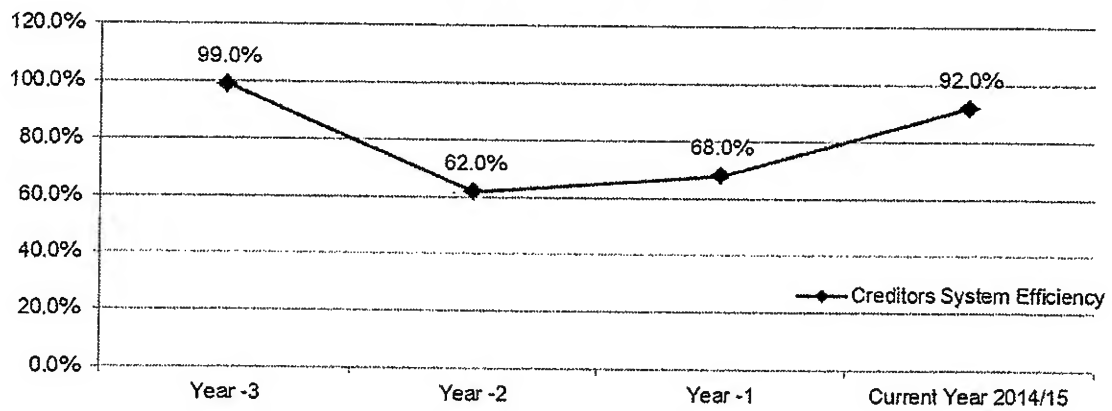
Debt Coverage



Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

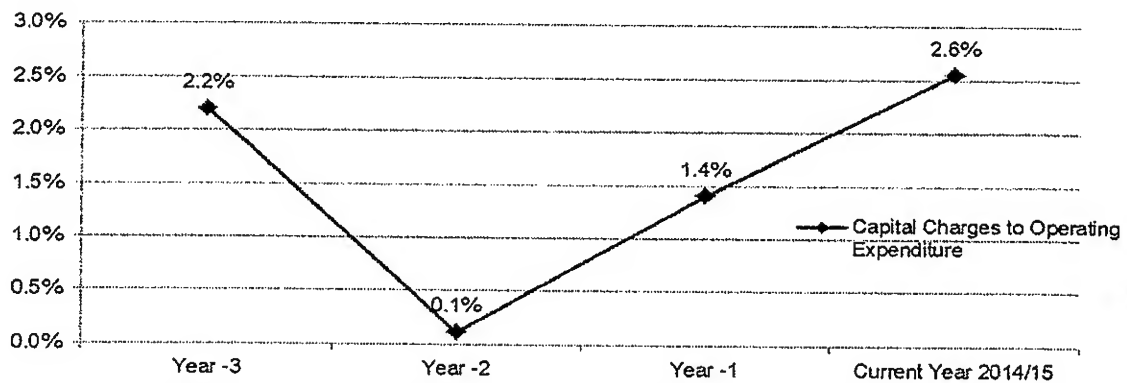
Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

Capital Charges to Operating Expenditure

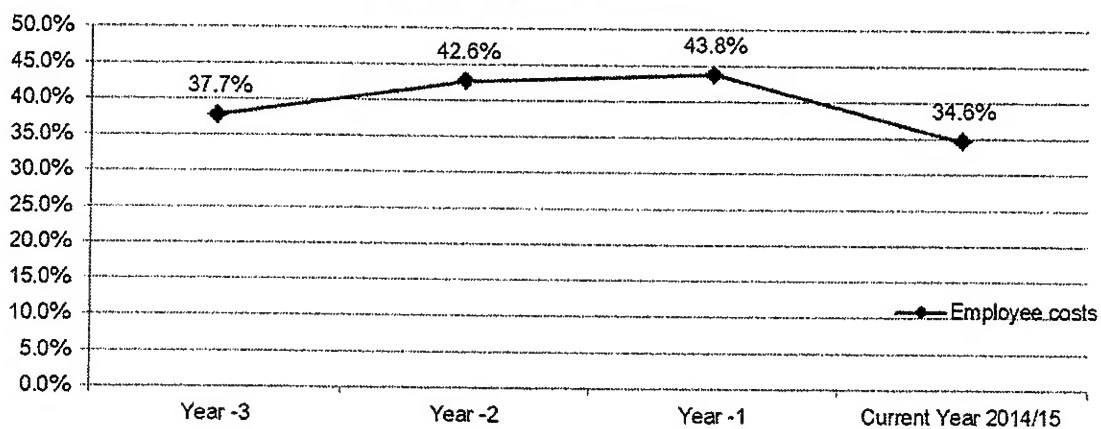


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

Employee Costs

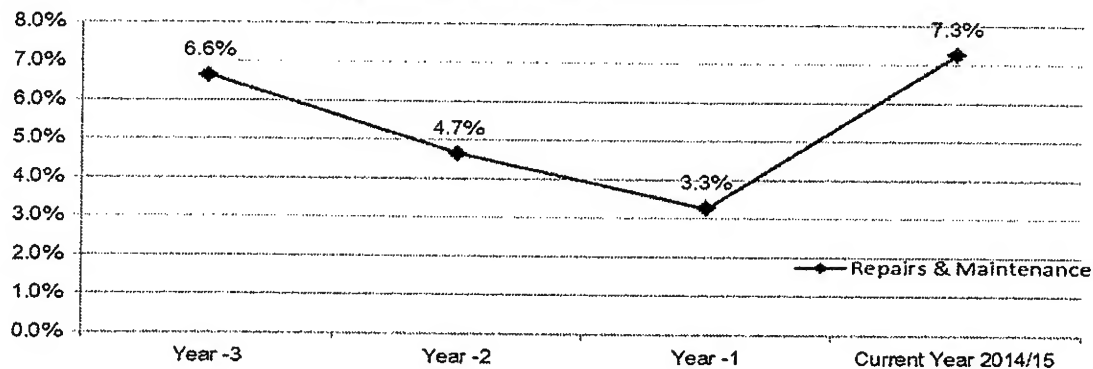


Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7

Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

5.4.8

COMMENT ON FINANCIAL RATIOS:

Liquidity ratio: Current: Assets/Current Liabilities. The ratio's result is 1:0.9 which is lower than the norm. The municipality is having financial challenges. This ratio shows that the municipality is unable to meet its short term financial obligations. The municipality is working towards achieving a 1:1 ratio.

Cost Coverage Ratio: Cash and Cash equivalent/Operating Expenditure. The ratio's result is 0,3 months. The municipality has a ratio below the norm of 1 to 3 months, it shows that the municipality will not be able to meet its obligations to provide basic services and its financial commitments are compromised. It also shows that the municipality is grant depended.

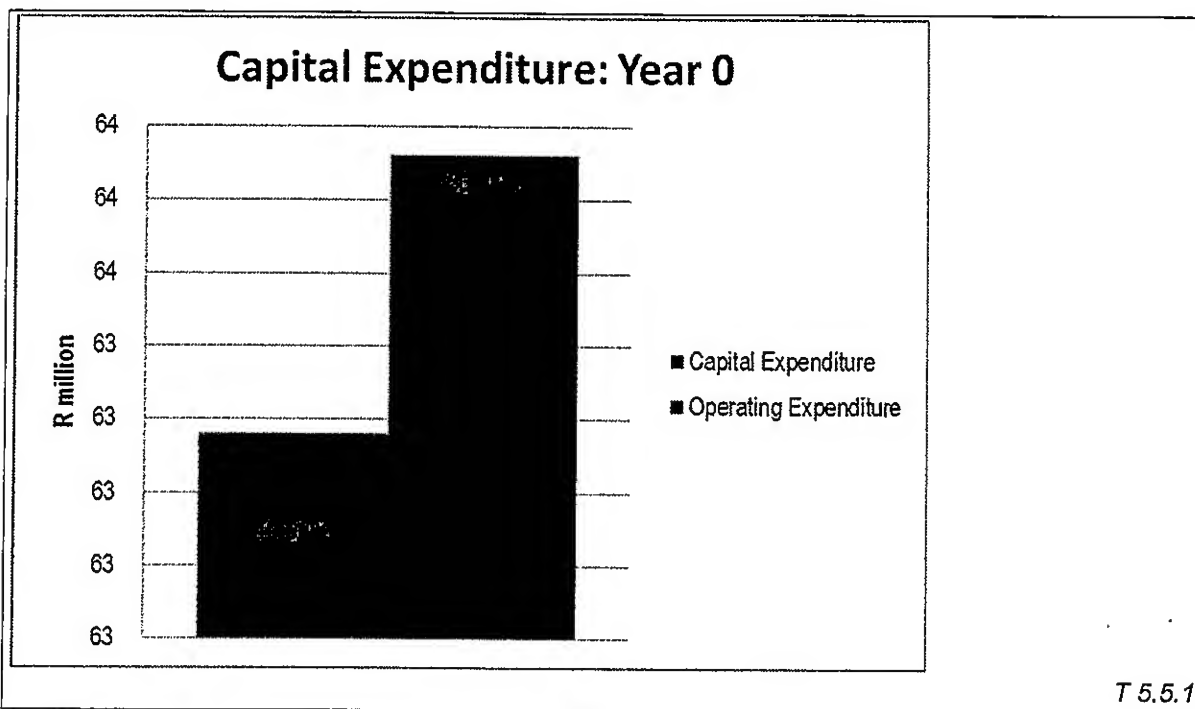
Debt Coverage: Long Term + Short Term Borrowing/Total Operating Revenue – Operating Conditional Grant. The ratio's result is 5.6. It means that the municipality is not effective enough to generate its revenue in order to cover outstanding debt payments. The municipality is grant dependent.

Capital charges to operating expenditure: Interest paid/operating expenditure: The result of the formula is 2.6%. This shows that of the expenditure incurred, only 2.6% relates to interest.

Employee Cost (Excluding Remuneration to Councillors): Employee Related Cost / (Total Operating Expenditure): The result of the formula is 34.6%, The municipality is within the norm.

Repairs and Maintenance: Repairs and Maintenance/ Operating expenditure: The result of the formula is 7.3% which means that the municipality has spent 7.3% of its operating expenditure on repairs and maintenance.

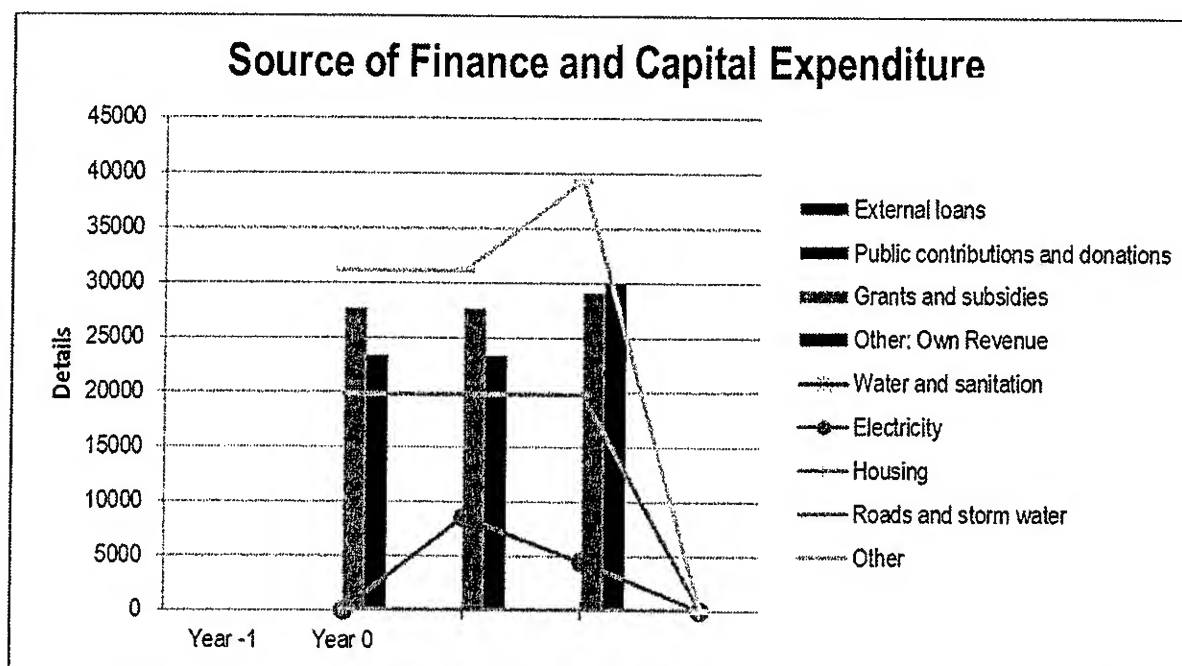
5.5 CAPITAL EXPENDITURE



- The Capital Budget (2014/15) amounts to R 45 617 million of which R 15 000 million of the total Capital budget is being funded from internal generated funds.
- The total capital expenditure amounts to R 38 387 million, of which R 14 930 million is being funded from internal generated funds.
- Expenditure increased by 4% compared to the prior year actual.
- Spending on Capital budget was 84% compared to final budget.
- MIG spending was 96, 11% compared to MIG allocation.
- The municipality has applied for a MIG rollover of R 6,175 Million to National Treasury.

5.6 SOURCES OF FINANCE

| Capital Expenditure - Funding Sources: 2013/ 2014 to Year 2014/ 2015 | | | | | | | |
|--|------------------------------------|-------------------|---------------------------------------|----------------------|--------------|-------------------------------------|------------------------------|
| R' 000 | | | | | | | |
| Details | | Year -1 Actual | 2014/ 2015 Original Budget (OB) | Adjustment Budget | Actual | Adjustment to OB Variance (%) | Actual to OB Variance (%) |
| Source of finance | | | | | | | |
| | External loans | | 0 | 0 | 0 | 0.00% | 0.00% |
| | Public contributions and donations | | 0 | 0 | 0 | 0.00% | 0.00% |
| | Grants and subsidies | | 27 690 | 27690 | 29 147 | 0.00% | 5.26% |
| | Other: Own Revenue | | 23 376 | 23376 | 30 093 | 0.00% | 28.73% |
| Total | | 0 | 51066 | 51066 | 59240 | 0.00% | 34.00% |
| <i>Percentage of finance</i> | | | | | | | |
| | External loans | | | | | | |
| | Public contributions and donations | | | | | | |
| | Grants and subsidies | | 54.2% | 54.2% | 49.2% | #DIV/0! | 15.5% |
| | Other | | 45.8% | 45.8% | 50.8% | #DIV/0! | 84.5% |
| Capital expenditure | | | | | | | |
| | Water and sanitation | | | | | | |
| | Electricity | | 0 | 8600 | 4528 | #DIV/0! | #DIV/0! |
| | Housing | | 0 | 0 | 0 | #DIV/0! | #DIV/0! |
| | Roads and storm water | | 19885 | 19885 | 19885 | 0.00% | 0.00% |
| | Other | | 31181 | 31181 | 39355 | 0.00% | 26.21% |
| Total | | 0 | 51066 | 59666 | 63768 | #DIV/0! | #DIV/0! |
| <i>Percentage of expenditure</i> | | | | | | | |
| | Water and sanitation | | 0.0% | 0.0% | 0.0% | #DIV/0! | #DIV/0! |
| | Electricity | | 0.0% | 14.4% | 7.1% | #DIV/0! | #DIV/0! |
| | Housing | | 0.0% | 0.0% | 0.0% | #DIV/0! | #DIV/0! |
| | Roads and storm water | | 38.9% | 33.3% | 31.2% | #DIV/0! | #DIV/0! |
| | Other | | 61.1% | 52.3% | 61.7% | #DIV/0! | #DIV/0! |



5.7 CASH FLOW

Cash flows from operating activities were positive. Cash flows from investing activities comprises of acquisitions of PPE which includes infrastructure assets, movable assets and plant. Cash flows from financing activities comprises of payments made on plant that was acquired on hire purchase and machinery leases.

The cash flow status of the municipality at year end was not sound. The municipality was over committed in the year under review. The municipality has put corrective measures in place to ensure that cash-outflows matches the inflows and that the municipality is not over committed.

5.8 BORROWING AND INVESTMENTS

The municipality had no borrowings and no investments during the period under review.

5.9 PUBLIC PRIVATE PARTNERSHIPS

There were no public, private partnerships during the year under review.

5.10 SUPPLY CHAIN MANAGEMENT

The municipality has an approved Supply Chain Management Policy in place as per the directive of the SCM Regulations 2005. Procurement is made according the different thresholds enshrined in the SCM Regulations. One of the cornerstones of the successful implementation of Supply Chain Management is the establishment of well-functioning bid structures.

The following is required from bid committee members:

- Every member must sign a "Declaration of Interest" document provided by the Accounting Officer"
- All members should be cleared at the level of "confidential"; and or
- Declare their financial interest annually to the accounting officer.

Two officials have obtained the MFMA minimum competency qualifications. Three more officials are currently being up-skilled in terms of MFMA minimum competency qualification.

5.11 GRAP COMPLIANCE

The municipality adopted all effective GRAP standards as outlined in the Annual Financial Statements (AFS). The last GRAP standards which brought in major changes to the face of the AFS were GRAP 17 on Property Plant and Equipment which was adopted in 2010/2011. The other adopted GRAP standards have had no major impact on the AFS. The Annual Financial Statements of the municipality have been declared as complying with GRAP standards.

GLOSSARY

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

The accounting officer of the municipality is responsible for the preparation and fair representation of the annual financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 2003 (Act 56 of 2003) and for internal controls that management deems necessary to enable the annual financial statements to be prepared free from material misstatements whether due to fraud or error.

In view of the about the Constitution of the Republic of South Africa 1996, s188 and section 4 of the Public Audit Act 2004 (Act 25 of 2004) states that the functions of the Auditor General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. Moreover, the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) states that the results of performance measurement must also be audited annually by the Auditor General.

Auditor General issued a qualified opinion. This has been the case for the past 3 financial years. The municipality is committed to improving the opinion and has compiled an audit turnaround strategy with time frames and tasks allocated to specific individuals to ensure implementation. The project is championed by the CFO and regular feedback meetings are held to assess progress.

6.1 AUDITOR GENERAL REPORT YEAR 0

| Auditor-General Report on Financial Performance Year 0* | |
|---|-----------------------|
| Status of audit report: | Qualified Opinion |
| Non-Compliance Issues | Remedial Action Taken |
| Submitted Financial Statements not prepared in all material aspects in accordance with section 122 of the MFMA | |
| Expenditure in contravention of section 15 of the MFMA | |
| No effective system of internal controls for debtors in place as required by section 62(2)f of the MFMA | |
| Interest not charged on accounts in arrears as required by the section 62(2)g of the MFMA | |
| Creditors not paid within 30 days of receipt as required by section 65(2)E of the MFMA | |
| reasonable steps not taken to prevent unauthorised, irregular, fruitless and wasteful expenditure as required by section 62(1)d of the MFMA | |

GLOSSARY

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| Awards made in contravention of section 112 of the MFMA and SCM regulation 44 | |
| No investigation conducted to determine if anyone is responsible for unauthorised, irregular, fruitless and wasteful expenditure as required by section 32(2)(a)ii of the MFMA | |
| An effective system of internal controls for assets not in place as required by section 63(2)c of the MFMA | |
| An effective system of internal controls for liabilities not in place as required by section 63(2)c of the MFMA | |
| Long term debt incurred without approval of municipal council as required by section 42(2)a of the MFMA | |
| Key Performance indicators not set out in the IDP as required by section 41(1)a of the municipal systems act, | |
| Measurable Performance targets not set out in the IDP as required by section 41(1)b of the municipal systems act, | |
| Performance management system and its controls were not adequate as required by the as required by section 38 of the municipal systems act and MPPMR 7 | |
| The audit committee was not constituted in the manner required section 166(4)a of the MFMA | |
| The performance audit committee did not submit audit report on review of performance management systems as required by MPPMR 14(4)(a)(iii) | |
| Internal Audit unit did not function as required by section 165 (2) of the MFMA | |
| An Acting CFO was appointed for more than 3 months without the approval of a member of the executive council of local government which is in contravention of the sections 54A(2A) and 56(1)c of the MSA | |

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|---|--|
| Accessibility indicators | Explore whether the intended beneficiaries are able to access services or outputs. |
| Accountability documents | Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports. |
| Activities | The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> . |
| Adequacy indicators | The quantity of input or output relative to the need or demand. |
| Annual Report | A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General. |
| Approved Budget | The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive. |
| Baseline | Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period. |
| Basic municipal service | A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment. |
| Budget year | The financial year for which an annual budget is to be approved – means a year ending on 30 June. |
| Cost indicators | The overall cost or expenditure of producing a specified quantity of outputs. |
| Distribution indicators | The distribution of capacity to deliver services. |
| Financial Statements | Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed. |
| General Key performance indicators | After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally. |
| Impact | The results of achieving specific outcomes, such as reducing poverty and creating jobs. |
| Inputs | All the resources that contribute to the production and delivery of outputs. Inputs are <i>"what we use to do the work"</i> . They include finances, personnel, equipment and buildings. |
| Integrated Development Plan (IDP) | Set out municipal goals and development plans. |
| National Key performance areas | <ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation |
| Outcomes | The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are <i>"what we wish to achieve"</i> . |
| Outputs | The final products, or goods and services produced for delivery. Outputs may be defined as <i>"what we produce or deliver"</i> . An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area. |
| Performance Indicator | Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered) |
| Performance Information | Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure. |
| Performance Standards: | The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and |

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|--|--|
| | timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor. |
| Performance Targets: | The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period. |
| Service Delivery Budget Implementation Plan | Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included. |
| Vote: | <p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p> |

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

| Council Members | Full Time / Part Time | Councillors, Committees Allocated and Council Attendance Committees Allocated | *Ward and/ or Party Represented | Percentage Council Meetings Attendance | Percentage Apologies for non-attendance |
|-----------------|-----------------------|--|---------------------------------|--|---|
| | | | | % | % |
| AW Ntsangani | FT/PT | Chairperson EXCO | PR | 100% | |
| L Sinyongo | FT | Portfolio Head: Engineering | PR | 100% | 0% |
| SP Matyila | FT | Portfolio Head: Finance | PR | 99% | 1% |
| NV Gora | FT | Portfolio Head: Sport, Arts & Culture/Women Caucus | PR | 100% | |
| MJ Makeleni | FT | Portfolio Head: Corporate Services | Ward 4 | 100% | |
| ME Mgongo | FT | Portfolio Head: Strategic Planning | Ward 16 | 100% | 0% |
| MB Kata | FT | Chairperson: MPAC | Ward 1 | 100% | 0% |
| M Ncume | PT | MPAC | PR | 100% | 0% |
| E Bantam | PT | MPAC | Ward 8 | 98% | 2% |
| H Xelewa | PT | MPAC | Ward 18 | 100% | 0% |
| N Mbalo | PT | MPAC | PR | 100% | 0% |
| XV Mamase | PT | MPAC | PR | 100% | 0% |
| B Malawu | PT | MPAC/Women Caucus | PR | 100% | 0% |
| NP Miamla | FT | Speaker/Chairperson: Women Caucus | Ward 9 | 98% | 2% |
| SL Ngwentle | FT | Chief Whip | PR | 98% | 2% |
| S Macakela | PT | Corporate Services | PR | 100% | 0% |
| N Rulashe | PT | Corporate Services | Ward 15 | 70% | 30% |
| T Ngaye | PT | Corporate Services | Ward 11 | 97% | 3% |
| AA Booysen | PT | Corporate Services | PR | 95% | 58% |
| TP Mjo | PT | Corporate Services | Ward 13 | 100% | 0% |
| N Zibonda | PT | Corporate Services/Women Caucus | PR | 100% | 0% |
| T Dwanya | PT | Strategic Planning & LED | PR | 100% | 0% |
| MO Rawana | PT | Strategic Planning & LED | Ward 14 | 100% | 0% |
| S Kley | PT | Strategic Planning & LED | PR | 95% | 5% |
| K Bailso | PT | Strategic Planning & LED | PR | 100% | 0% |
| A Siofile | PT | Finance | Ward 21 | 99% | 1% |
| RA Kgamedl | PT | Finance | Ward 6 | 100% | 0% |

| | | | | | |
|-----------------|----|-----------------------------------|---------|------|----|
| X Dyantyi | PT | Finance | PR | 100% | 0% |
| J Kanle | PT | Finance/Women Caucus | PR | 95% | 5% |
| N Sango-Blackie | PT | Finance | Ward 3 | 100% | 0% |
| MDM Nyenyeku | PT | Engineering | PR | 95% | 5% |
| M Nyangintaka | PT | Engineering | Ward 5 | 100% | 0% |
| V Ndevu | PT | Engineering/Women Caucus | Ward 12 | 92% | 8% |
| LZ Papu | PT | Engineering | Ward 20 | 100% | 0% |
| T Matu | PT | Engineering/Women Caucus | Ward 7 | 100% | 0% |
| Z Mpendu | PT | Sport, Recreation, Arts & Culture | PR | 100% | 0% |
| P Sixolo | PT | Sport, Recreation, Arts & Culture | Ward 10 | 100% | 0% |
| SA Penu | PT | Sport, Recreation, Arts & Culture | PR | 98% | 2% |
| C Guzi | PT | Sport, Recreation, Arts & Culture | Ward 2 | 100% | 0% |
| CN Daniels | FT | Finance | Ward 17 | 100% | 0% |

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

| Municipal Committees | Committees (other than Mayoral / Executive Committee) and Purposes of Committees | |
|--|--|--|
| | Purpose of Committee | |
| ENGINEERING STANDING COMMITTEE | To provide political guidance on Service Delivery and recommend to EXCO and Council thereof | |
| FINANCE STANDING COMMITTEE | To provide political guidance on fiscal and financial matters of the institution and recommend to EXCO and Council thereof | |
| SPORT, ARTS & CULTURE STANDING COMMITTEE | To assist the Mayor in providing political guidance in community development through Sport and Heritage/ cultural promotions | |
| STRATEGIC PLANNING & LED | To assist the Mayor in providing political guidance on Municipal Strategic and compliance matters and identification of social and economic needs of the Municipality | |
| CORPORATE SERVICES STANDING COMMITTEE | To assist the executive committee on formulating policies/ legislation pertaining to the functions of Corporate Service Department and to ensure the provision of efficient, economical and effective administration of the Municipality | |
| WOMEN CAUCUS | To lobby Council for the development and implementation of gender programmes as well as to promote women participation in the IDP/Budget processes | |
| PERFORMANCE AUDIT COMMITTEE | To evaluate effectiveness of PMS | |
| AUDIT COMMITTEE | To evaluate entire control of the Municipality | |
| WHIP'S COMMITTEE | To ensure good governance and political accountability of Councillors as well as to ensure that all parties are proportionally represented in various committees of Council | |
| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE | To ensure Council fulfils its oversight function. | |

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APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

| Third Tier Structure | |
|---|---|
| Directorate | Director/Manager (State title and name) |
| Engineering Services | Mr Z.H Nkosinkulu |
| Corporate Services | Mrs N.K Fololo |
| Budget and Treasury Office | Mrs B Lubelwana |
| Strategic Planning and Local Economic Development | Mr L. Menze |

Contents

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

| Municipal / Entity Functions | | |
|---|---|--|
| MUNICIPAL FUNCTIONS | Function Applicable to Municipality (Yes / No)* | Function Applicable to Entity (Yes / No) |
| Constitution Schedule 4, Part B functions: | | |
| Air pollution | No | No |
| Building regulations | Yes | No |
| Child care facilities | Yes | No |
| Electricity and gas reticulation | | |
| Fire fighting services | Yes | No |
| Local tourism | Yes | No |
| Municipal airports | Yes | Yes |
| Municipal planning | No | No |
| Municipal health services | Yes | Yes |
| Municipal public transport | No | No |
| Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law | No | No |
| Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto | | |
| Stormwater management systems in built-up areas | Yes | No |
| Trading regulations | Yes | No |
| Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems | No | No |
| Beaches and amusement facilities | No | No |
| Billboards and the display of advertisements in public places | Yes | No |
| Cemeteries, funeral parlours and crematoria | Yes | No |
| Cleansing | Yes | No |
| Control of public nuisances | Yes | No |
| Control of undertakings that sell liquor to the public | Yes | No |
| Facilities for the accommodation, care and burial of animals | Yes | No |
| Fencing and fences | Yes | Yes |

Contents

| | | |
|--|-----|-----|
| Licensing of dogs | No | No |
| Licensing and control of undertakings that sell food to the public | Yes | Yes |
| Local amenities | Yes | Yes |
| Local sport facilities | Yes | Yes |
| Markets | Yes | Yes |
| Municipal abattoirs | Yes | Yes |
| Municipal parks and recreation | Yes | Yes |
| Municipal roads | Yes | Yes |
| Noise pollution | Yes | No |
| Pounds | Yes | No |
| Public places | Yes | No |
| Refuse removal, refuse dumps and solid waste disposal | Yes | Yes |
| Street trading | Yes | No |
| Street lighting | Yes | Yes |
| Traffic and parking | Yes | No |
| | Yes | No |

APPENDIX E – WARD REPORTING

| Ward Name (Number) | Functionality of Ward Committees | | | |
|--------------------|--|----------------------------------|---|--|
| | Name of Ward Councillor and elected Ward committee members | Committee established (Yes / No) | Number of monthly meetings held during the year | Number of monthly reports submitted to Speakers Office on time |
| Ward 1 | Cllr MB Kata | Yes | 4 | 4 |
| | Mangwa Nomakhwezi | | | |
| | Mpashu Zandisile | | | |
| | Tyasha Nolutuyo | | | |
| | Matyala Ayanda | | | |
| | Mani Vusumzi | | | |
| | Qqamane Chumani | | | |
| | Khongo Zukiswa | | | |
| | Nlabeni Nontombane M | | | |
| | Monakali Tembikile M | | | |
| Ward 2 | Ngqushu Xoliswa M | | | |
| | Cllr N Guzi | Yes | 4 | 4 |
| | Mabuda Zandile | | | |

Contents

| | | | | | | | |
|----------------|------------------------|-----|---|---|--|--|--|
| Ward 3 | Ndzube Mkhululi | | | | | | |
| | Mxotwa Nokwanda | | | | | | |
| | Gulwa Nolubabalo | | | | | | |
| | Gqokoma Zolani | | | | | | |
| | Bane AP | | | | | | |
| | Mdingi Nontsikelelo | | | | | | |
| | Gaga Thembisa C. | | | | | | |
| | Stemele Pumeza S. | | | | | | |
| | Socenywa Phakamile | | | | | | |
| | Cllr N Sango Blackie | Yes | 3 | 3 | | | |
| Ward 4 | Nonkosazana A Nohaba | | | | | | |
| | Nondumiso M Mathondolo | | | | | | |
| | Zatu Ncumisa C | | | | | | |
| | George Bulelwa Y | | | | | | |
| | Njenje Athenkosi | | | | | | |
| | Ncomisa Msikeleli L | | | | | | |
| | Quma Tozama | | | | | | |
| | Nohamba Sindiswa | | | | | | |
| | Ngwana Cebo | | | | | | |
| | Cllr M Makeleni | Yes | 3 | 3 | | | |
| Ward 5 | Seti Ndyebo | | | | | | |
| | Nflokwana Nkosemtu D | | | | | | |
| | Booi Thandiswa | | | | | | |
| | Mbayiya Babalwa L | | | | | | |
| | Nkwalase Xolani | | | | | | |
| | Dayile Abongile | | | | | | |
| | Nguye Makwedina C | | | | | | |
| | Tshona Viwe | | | | | | |
| | Ndayi Luvuyo | | | | | | |
| | Mashologu Nomathemba | | | | | | |
| Ward 6 | Cllr M Nyangintaka | Yes | 2 | 2 | | | |
| | Tabalaza Mphumezi | | | | | | |
| | Gwaza Ntombenkosi | | | | | | |
| | Zondeka Masibulele | | | | | | |
| | Patu Tozama | | | | | | |
| | Mkwatani Nomvulo | | | | | | |
| | Maxhela Buyiswa T | | | | | | |
| | Njadayi Nomonde H | | | | | | |
| | Ngalo Nompikiso M | | | | | | |
| | Mpete Portia T | | | | | | |
| Sipango Vuyani | | | | | | | |

Contents

| | | | | | |
|--------|-------------------------|-----|---|---|---|
| Ward 6 | Cllr RA Kgatedi | Yes | 1 | 1 | 1 |
| | Makhasi Clive | | | | |
| | Mokilimi Mapule | | | | |
| | Botha Desmond | | | | |
| | Ian Summerton | | | | |
| | Christina Bantom | | | | |
| | Radas P Eric | | | | |
| | Nkomana Monalisa | | | | |
| | Tshona Zandile | | | | |
| | Nomatsheya Nombengu | | | | |
| Ward 7 | Cllr T Matu | Yes | 3 | 3 | 3 |
| | Tukani Mzwabantu | | | | |
| | Tyungwa Zamuxolo | | | | |
| | Mothlabane Yolisa | | | | |
| | Qhalo Bonani | | | | |
| | Smith Donovan | | | | |
| | Payi Nandipha | | | | |
| | Qege Buyiswa | | | | |
| | Mbaniwa Nosipho | | | | |
| | Mbilane Nontombana | | | | |
| Ward 8 | Cllr E Bantam | Yes | 4 | 4 | 4 |
| | Twalo Nomvuyiselo | | | | |
| | Billy Joseph | | | | |
| | Vityolo Neliswa F | | | | |
| | Zani Vuyile Q | | | | |
| | Malunga Nokuphumla M | | | | |
| | Mgwanga Ntombekhaya | | | | |
| | Mbombela Nomfundo | | | | |
| | Loliwe Ntombise A | | | | |
| | Bangani Thozama | | | | |
| Ward 9 | Menze-Mishofeli Thobeka | | | | 3 |
| | Cllr NP Mlamla | Yes | 4 | 4 | |
| | Ndiziweni Ntomboxolo | | | | |
| | Zanazo Zola | | | | |
| | Buwa Ndileka | | | | |
| | Mntuphanisi Luthando | | | | |
| | Kilani Anele | | | | |
| | Keps Akha | | | | |
| | Makinana Stanley M | | | | |
| | Yeko Zanyile F | | | | |

Contents

| | Badi Bongani | Yes | 1 | 1 | |
|---------|-----------------------|-----|---|---|---|
| Ward 10 | Cllr P Sixolo | Yes | 1 | 1 | 2 |
| | Sokupa Sisanda | | | | |
| | Makalima Francis | | | | |
| | Jack Simphiwe | | | | |
| | Mbare Morwabisi | | | | |
| | Mana Monde | | | | |
| | Xubuzana Luzuko | | | | |
| Ward 11 | Bavuma Bongani | | | | 1 |
| | Currie Xhantlalomzi | | | | |
| | Cllr T Ngaye | Yes | 1 | 1 | |
| | Jekwa Sipho | | | | |
| | Songqayi Siyabulela M | | | | |
| | Tinga Livingstone M | | | | |
| | Nanto Ntombizanele | | | | |
| Ward 12 | Singe Phakama M | | | | 3 |
| | Tsomo Zukisa | | | | |
| | Cllr V Ndevu | Yes | 2 | 2 | |
| | Luka Haward | | | | |
| | Mkhwayimba Selinah | | | | |
| | Lubisi Mhlangabezi W | | | | |
| | Ngeju Thotyelwa | | | | |
| Ward 13 | Madondile Khinzeka | | | | 4 |
| | Mji Thembisa | | | | |
| | Runeli Yoliswa | | | | |
| | Sigonyela Mphumezi | | | | |
| | Selem Nongeltheni S | | | | |
| | Madyongolo Alton L | | | | |
| | Cllr T Mjo | Yes | 4 | 4 | |
| Ward 14 | Goxani Luthando | | | | 2 |
| | Jali Melikhaya | | | | |
| | Gidi Thabo | | | | |
| | Mbewu Similo W | | | | |
| | Dinginto Siziwe F | | | | |
| | Ketye Mncedisi V | | | | |
| | Dalaba Veronica | | | | |
| Ward 15 | Msutu Nozuko C | | | | 2 |
| | Mjo Thobeka P | | | | |
| | Sapula Yoliswa | | | | |
| | Cllr MO Rawana | Yes | 2 | 2 | |

| | | | | | | |
|---------|---------------------|-----|---|---|--|--|
| Ward 15 | Joko Bongwe | | | | | |
| | Ngcumba Xolani A | | | | | |
| | Gope Andiswa | | | | | |
| | Myali Nomakhosazana | | | | | |
| | Tshona Zingisile | | | | | |
| | Ngqozi Akhona | | | | | |
| | Phike Nonkosi S | | | | | |
| | Jafita Bongani | | | | | |
| | Patani Phumla | | | | | |
| | Beleni Zukile | | | | | |
| Ward 16 | Cilr N Rulashe | Yes | 0 | 0 | | |
| | Noggala Nozipho C | | | | | |
| | Dick Mantombi S | | | | | |
| | Nlanta Nozicelo | | | | | |
| | Ndayi Dineka | | | | | |
| | Ndzoyi India | | | | | |
| | Myoli Xoliswa | | | | | |
| | Ngudle Joyce N | | | | | |
| | Jikela Lundi | | | | | |
| | Helisi Mabuthi | | | | | |
| Ward 17 | Nyananda Sandiswa | | | | | |
| | Cilr ME Mgengo | Yes | 4 | 4 | | |
| | Nzuzo Monwabisi | | | | | |
| | Gqangeri Xolisile | | | | | |
| | Labase Charles T | | | | | |
| | Masiko Rhoda | | | | | |
| | Demo Nokwandisa | | | | | |
| | Makubeni Normvuyo | | | | | |
| | Ngabaza Hamilton B | | | | | |
| | Mima Babalwa E | | | | | |
| Ward 18 | Xayimpi Nontle | | | | | |
| | Dyanty Mbuzo R | | | | | |
| | Cilr CN Daniels | Yes | 3 | 3 | | |
| | Skiti Nomkhitha | | | | | |
| | Mjacu Fundeka | | | | | |
| | Kanti Pheliswa P | | | | | |
| | Mguqulwa Lukhanyo A | | | | | |
| | Diyo Nozipho C | | | | | |
| | Xape Nkosana C | | | | | |
| | Bonisani Phetle | | | | | |

| | | | | | | |
|---------|---------------------------------|-----|---|---|--|--|
| | Makisi Cynthia Ndita Mzukisi | | | | | |
| | Cllr H Xelelwa | Yes | 2 | 2 | | |
| Ward 18 | Myosana Thembela | | | | | |
| | Jongidiza Anele | | | | | |
| | Belukwana Mthunzi | | | | | |
| | Mayekiso Headman | | | | | |
| | Tede Zandisile | | | | | |
| | Melane Tamsanqa | | | | | |
| | Jumba Neziwa M | | | | | |
| | Mishaza Weziwe | | | | | |
| | Tyiko Nozipho | | | | | |
| | Ngwabane Linda | | | | | |
| Ward 19 | Cllr M Matshaya | Yes | 2 | 2 | | |
| | Meluse Nombuyiselo A | | | | | |
| | Pantisi Liziwe F | | | | | |
| | Simetu Nontsikelelo O | | | | | |
| | Nyikana Ntombizandile | | | | | |
| | Ngalo M | | | | | |
| | Ngxwashula Nomercy | | | | | |
| | Mkwamntse/Kuse Mgcina | | | | | |
| | Jende Monwabisi | | | | | |
| | Cllr LZ Papu | Yes | 3 | 3 | | |
| Ward 20 | Bunzi Nomvuzo V | | | | | |
| | Keadise Nthabiseng J | | | | | |
| | Booyesen Sindile A | | | | | |
| | Mweli Mlulami | | | | | |
| | Mgoqi Thenjiwe | | | | | |
| | Mqayi Nomfundo | | | | | |
| | Matu Mawonga P | | | | | |
| | Langa Chumani | | | | | |
| | News Bukelwa | | | | | |
| | Cllr A Stofile | Yes | 3 | 3 | | |
| Ward 21 | Qhina Asanda | | | | | |
| | Makinana Phulma | | | | | |
| | Yantolo Funeka E | | | | | |
| | Mana Ayanda | | | | | |
| | Manayo Faniswa D | | | | | |
| | Manda Xoliswa | | | | | |
| | Stofile Mbuyizeli | | | | | |

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| | | | | |
|--|-------------------|--|--|--|
| | Rafa Thembakazi | | | |
| | Baba Niombekthaya | | | |
| | Mangweni Vuyiswa | | | |

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2014/ 2015

| Municipal Audit Committee Recommendations | | | | |
|---|---|--|--|--|
| Date of Committee | Committee recommendations during Year 0 | Recommendations adopted (enter Yes) If not adopted (provide explanation) | | |
| 15-May-15 | 1. The appointment of the Municipal Manager be prioritized 2. PMS system be formalized and assessment of Section 57 mandatory and be conducted within the first quarter 3. IA Plan to prioritize audits that will add value to the municipality, SCM and Revenue Management | Yes | | |
| 31 June 2015 | Strategic risk register to incorporate the following: 1. The Going concern of the Municipality ; 2. Change in the standard charts of accounts; 3. IT as high risk area | The strategic risk register scheduled for review in January 2016 with the establishment of Fraud Risk Management Committee | | |

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

| Long Term Contracts (20 Largest Contracts Entered into during Year 2014/ 2015) | | | | |
|--|--|------------------------|-------------------------|-----------------|
| Name of Service Provider (Entity or Municipal Department) | Description of Services Rendered by the Service Provider | Start Date of Contract | Expiry date of Contract | Project manager |
| Vaxobyte (Pty) Ltd | Collection, transport, disposal of waste and related waste management functions in Alice Golf Course | 18/11/2014 | 18/11/2017 | Ms N Resha |
| | | | | R1 800 000 |

Contents

| | | | | | |
|----------------------------|---|------------|------------|--------------|------------|
| Nkonjane Cleaning Services | Collection, transport, disposal of waste and related waste management functions in Fort Beaufort, Newtown | 18/11/2014 | 18/11/2014 | Ms N Resha | R2 520 000 |
| H Solutions | Supply of Microsoft license | 30/06/2015 | 30/06/2018 | Mr C Herbert | R899 458 |
| | | | | | TH.1 |

VOLUME II

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

| Disclosures of Financial Interests | | |
|---|--------------------------|---|
| Period 1 July to 30 June of 2015 (Current Year) | | |
| Position | Name | Description of Financial interests* (Nil / Or details) |
| Mayor Exco | AW Ntsangani | Nil |
| | SP Matyila | Nil |
| | N Gora | Nil |
| | ME Mgengo | Nil |
| | MJ Makeleni | Nil |
| | L Sinyongo | Nil |
| Councillor | | |
| Speaker (ward 9) | NP Mlamla | Nil |
| Chief Whip | SL Ngwentle | Nil |
| | S Kley | Nil |
| | MC Nyangintaka | Nil |
| | CN Mbalo | Nil |
| | ZM Mpendu | Nil |
| | X Dyantyi | Nil |
| | AA Booysen | Nil |
| | N Sango Blackie | Nil |
| | M Matshaya (passed away) | |
| | NV Gora | Nil |
| | M Kata | Nil |
| | T Mjo | Nil |
| | A Stofile | Nil |
| | H Xelelwa | Nil |
| | XV Mamase | Nil |
| | T Matu | Nil |
| | MDM Nyenyeku | Nil |
| | T Ngaye | Nil |
| | M Ncume | Nil |
| | E Bantam | Elten's Agric |
| | T Dwanya | Nil |
| | CN Daniels | Nil |
| | RA Kganedi | Cartage Truck |
| | V Ndevu | Nil |
| | C Guzi | Nil |
| | SW Macakels | Nil |
| | SA Penu | Nil |
| | ZL Papu | Nil |

| | | |
|---|------------------------|-------------------------|
| | P Sixolo | Dlokwayi General Dealer |
| | J Kanie | Nil |
| | D Gysman (passed away) | |
| | B Malawu | Nil |
| | N Rulashe | Nil |
| | MO Rawana | Nil |
| Acting Municipal Manager | L Menze | Nil |
| Chief Financial Officer | B Lubelwana | Nil |
| Other S57 Officials | ZH Nkosinkulu | Cawa General Trading |
| | NK Fololo | Nil |
| | L Menze | Nil |
| * Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A T J | | |

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

| Revenue Collection Performance by Vote | | | | | | |
|--|---------|---------------------|-----------------|-------------|---------------------|--------------------|
| R' 000 | | | | | | |
| Vote Description | Year -1 | Current: 2014/ 2015 | | | 2014/ 2015 Variance | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget |
| Assessment Rates | | -24 470 000 | -28 152 133 | -35 299 594 | 31% | 20% |
| Basic Electricity | | -120 000 | -250 000 | -437 239 | 73% | 43% |
| Consumption Charges - Electricity | | -20 721 875 | -20 000 000 | -15 808 444 | -31% | -27% |
| Connection Fee - Electricity | | -51 700 | -51 700 | -30 837 | -68% | -68% |
| Consumption Charges - Water | | | | | | |
| Refusal Removal | | -7 692 975 | -7 000 000 | -9 431 534 | 18% | 26% |
| Sale of Electricity - Prepaid | | -10 000 000 | -14 486 197 | -11 958 337 | 16% | -21% |
| Rental of Halls | | -162 303 | -162 303 | -143 897 | -13% | -13% |
| Rental - Lease | | -100 000 | -100 000 | -1 510 | -6523% | -6523% |
| Rental of Municipal Houses | | -130 404 | -130 404 | -21 890 | -496% | -496% |
| Rental - Site | | | | -120 455 | - | - |
| Billboard Rentals | | -126 000 | -126 000 | | #DIV/0! | #DIV/0! |
| Rental - Plant/Tools | | | | -154 | - | - |
| Interest on Bank Account | | -500 000 | -500 000 | | #DIV/0! | #DIV/0! |
| Interest on Investment | | -1 500 000 | -1 500 000 | -590 406 | -154% | -154% |
| Interest - Arrear Debtors | | -5 000 000 | -5 000 000 | -936 503 | -434% | -434% |
| Interest - Assessment Rates | | -2 100 000 | -3 100 000 | -2 455 940 | 14% | -26% |
| Interest - Service Charges | | -2 100 000 | -2 500 000 | -10 111 | -20670% | -24626% |
| Fines | | -300 000 | -300 000 | -196 955 | -52% | -52% |
| Learners and Drivers Testing | | -2 200 000 | -2 425 000 | -2 765 651 | 20% | 12% |
| Any Other - MSIG Grant | | -890 000 | -890 000 | -890 000 | 0% | 0% |
| Equitable Share (Operating) | | -94 338 000 | -94 338 000 | -94 338 000 | 0% | 0% |
| Finance Management Grant | | -1 650 000 | -1 650 000 | -1 650 000 | 0% | 0% |
| Subsidies | | -1 000 000 | -9 625 000 | -5 387 189 | 81% | -79% |
| Any Other - MSIG Grant | | -29 147 000 | -29 147 000 | -29 147 000 | 0% | 0% |
| Bad Debts Recovered | | -4 000 000 | -3 000 000 | | #DIV/0! | #DIV/0! |
| Building Plans | | -115 500 | -110 000 | -40 185 | -187% | -174% |
| Burial & Cemetery | | -61 500 | -50 000 | -29 910 | -106% | -67% |
| Commission Received | | -126 000 | -100 000 | -107 687 | -17% | 7% |
| Deposits Tender | | -105 000 | -105 000 | -56 535 | -86% | -86% |
| EPWP | | -2 180 000 | -2 180 000 | -2 180 000 | 0% | 0% |

| | | | | | | |
|---|----------|------------------|------------------|------------------|----------------|----------------|
| Insurance Fee | | -260 000 | -20 000 | -6 648 | -3811% | -201% |
| Med Aid Contribution paid by Pensioners | | -305 000 | -305 000 | -31 861 | -857% | -857% |
| Print/ Stationery/Fax/Photostats | | | | -18 021 | - | - |
| Revenue Plant Unit | | -100 000 | -4 200 000 | -7 566 | -1222% | -55411% |
| Skills Development Levy Returns | | -500 000 | -500 000 | -62 673 | -698% | -698% |
| Sundry Revenue | | -500 000 | -900 000 | -2 160 765 | 77% | 58% |
| Surplus Cash | | | | -20 | - | - |
| Valuation Certificates | | -73 500 | -30 000 | -14 003 | -425% | -114% |
| Grants Received - ADM | | | | -450 | 100% | 100% |
| VAT Income | | | | -87 158 | 100% | 100% |
| Discount Received | | | | 150 252 | 100% | 100% |
| Total Revenue by Vote | - | (212 627) | (232 934) | (216 275) | #DIV/0! | #DIV/0! |

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

| Revenue Collection Performance Nkonkobe Local Municipality | | | | | | |
|--|------------|-----------------|--------------------|-----------|---------------------|--------------------|
| Description | R'000 | | | | | |
| | 2012/ 2013 | 2014/ 2015 | | | 2014/ 2015 Variance | |
| | Actual | Original Budget | Adjustments Budget | Actual | Original Budget | Adjustments Budget |
| Property rates - penalties & collection charges | 19 393 | 24 470 | 28 152 | 35 299 | 31% | 20% |
| Service Charges - electricity revenue | 29 667 | 30 885 | 34 788 | 28 226 | -9% | -23% |
| Service Charges - water revenue | - | - | - | - | 0% | 0% |
| Service Charges - sanitation revenue | - | - | - | - | 0% | 0% |
| Service Charges - refuse revenue | 8 886 | 7 693 | 7 000 | 9 440 | 19% | 26% |
| Service Charges - other | - | - | - | - | 0% | 0% |
| Rental of Facilities and equipment | 264 | 519 | 519 | 288 | -80% | -80% |
| Interest earned - external investments | 900 | 2 000 | 2 000 | 590 | -239% | -239% |
| Interest earned - outstanding debtors | 1 817 | 920 | 10 600 | 3 403 | 73% | -211% |
| Dividend received | - | - | - | - | 0% | 0% |
| Fines | 113 | 300 | 300 | 197 | -52% | -52% |
| Licences and permits | - | - | - | - | 0% | 0% |
| Agency services | - | 2 200 | 2 425 | - | 0% | 0% |
| Transfer recognised - operational | - | 100 058 | 108 683 | - | 0% | 0% |
| Other revenue | 1 398 | 18 365 | 25 164 | 2 474 | -642% | -917% |
| Gains on disposal of PPE | - | - | - | - | 0% | 0% |
| Environmental Protection | - | - | - | - | 0% | 0% |
| Total Revenue (excluding capital transfers and contributions) | 62 | 187 | 220 | 80 | -134.51% | -174.82% |

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

| Declaration of Loans and Grants made by the municipality: 2014/ 2015 | | | | |
|---|------------------------|--------------------------------|---------------------|---|
| All Organisation or Person in receipt of Loans */Grants* provided by the municipality | Nature of project | Conditions attached to funding | Value Year 0 R' 000 | Total Amount committed over previous and future years |
| Nkonkobe Economic Development Agency | Municipal Entity | None | 1371 | |
| Ngumbela Cricket Development | Support of an NGO | Outlined on the MoU | 200 | |
| Indigent Subsidy (Free Basic Service) | Free Basic Electricity | None | 8942 | |
| Total | | | 10513 | |

VOLUME II

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Provide the Annual Financial Statements (AFS) to the respective financial year as submitted to the Auditor-General. The completed AFS will be Volume II of the Annual Report.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Dissolving and merger of Nkonkobe Municipality with Nxuba Municipality

The Demarcation Board has suggested an amalgamation of Nkonkobe Local Municipality with Nxuba Local Municipality. Should the suggested merger be successful, both municipalities will be dissolved and a new municipality formed. The assets and liabilities of the municipality will be transferred on a going concern basis to the newly established municipality. The realisation of the assets transferred will be sufficient to settle the liabilities transferred. Accordingly, the financial statements will be prepared on accounting policies applicable to a going concern. The effective date of the merger is not yet determined

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors

Going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Subsequent events.

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year

The Municipality has appointed a fully fledged and functional audit committee in May 2015. As at year end, the audit committee both current and previous had not held the legislated number of meetings per annum. Although the current audit committee has recently been appointed, their presence and inputs are already being felt in the form of the review of annual financial statements and the general assessment of the processes of the Municipality.

The annual financial statements set out on pages 7 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed by him.


L. Manze
Acting Municipal Manager

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Report of the Auditor General

To the Provincial Legislature of Nkonkobe Local Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the Nkonkobe Local Municipality which comprise the statement of financial position as at 30 June 2015, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 7 to 65.

Auditor-General of South Africa

30 November 2015

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Mayor's Foreword

It gives me great pleasure to present the annual financial statements for the 2014/2015 financial year. The Municipal Finance Management Act provides that a municipality must prepare the annual financial statements of the institution and, within two months after the end of the financial year to which those statements relate, submit them to the Auditor General for auditing. During the last financial year we presented improved financial statements to Council. This year, as we endeavour to make further improvements to our financial statements, as the municipality we have tried our utmost best to adhere to the Generally Recognised Accounting Practices when preparing the financial statements - to produce reports attuned to specific needs of the Nkonkobe community.

The annual financial statements for the year under review 2014/2015 - portray a picture of continuous improvement from the previous financial year. This is with regards to financial viability and debt management of the municipality. As an institution with a thin revenue base we have devised strategies to enhance our revenue, so that we are able to move away from grant dependency and become a self sufficient municipality. We have devised strategies to improve our thin revenue base, we are also attentive to the state of our records, particularly with debtors, in providing for and writing off bad debts. This is an attempt to ensure that the financial statements fairly present the financial state of Nkonkobe Municipality.

To this end, we continue to monitor the performance and successes of the technical unit as it progresses to do most of the projects inhouse. As some of the projects are funded through our own revenue, we have endeavoured to ensure that new projects are kept at a minimum so as not to overburden our already stretched internal revenue base. As a result, I can safely say that the current financial statements are a true reflection of all the institution's financial activities in the year under review. The challenges that the municipality faced before should be a thing of the past and as such, we firmly believe that we can do better to change the situation from qualified to a clean audit.

We are especially pleased to have a new fully fledged and functional audit committee which continues to enhance the performance and output of our internal audit unit.



Honourable Mayor

Cllr. A.W Ntsangani

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 7 | 817 178 | 686 705 |
| Receivables from exchange transactions | 8 | 8 519 409 | 9 658 294 |
| Receivables from non-exchange transactions | 9 | 67 510 860 | 48 897 294 |
| Cash and cash equivalents | 11 | 3 851 778 | 3 264 261 |
| VAT receivable | 10 | 3 863 037 | 2 455 629 |
| | | 84 562 262 | 64 962 183 |
| Non-Current Assets | | | |
| Investment property | 3 | 20 627 700 | 21 221 700 |
| Property, plant and equipment | 4 | 287 872 772 | 291 106 780 |
| Intangible assets | 5 | 320 717 | 328 794 |
| | | 308 821 189 | 312 657 274 |
| Non-Current Assets | | 308 821 189 | 312 657 274 |
| Current Assets | | 84 562 262 | 64 962 183 |
| Total Assets | | 393 383 451 | 377 619 457 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 13 | 9 481 163 | 4 897 346 |
| Payables from exchange transactions | 17 | 78 234 877 | 76 253 356 |
| Unspent conditional grants and receipts | 14 | 7 036 826 | 4 932 918 |
| Other liability | | 944 229 | 289 299 |
| Consumer deposits | 16 | 1 371 746 | 1 268 830 |
| | | 97 068 841 | 87 641 749 |
| Non-Current Liabilities | | | |
| Finance lease obligation | 13 | 10 301 192 | 9 384 209 |
| Employee benefit obligation | 6 | 18 398 616 | 18 479 000 |
| Provisions | 15 | 15 340 318 | 17 032 276 |
| Other liability | | 643 581 | - |
| | | 44 683 707 | 44 895 485 |
| Non-Current Liabilities | | 44 683 707 | 44 895 485 |
| Current Liabilities | | 97 068 841 | 87 641 749 |
| Total Liabilities | | 141 752 548 | 132 537 234 |
| Assets | | 393 383 451 | 377 619 457 |
| Liabilities | | (141 752 548) | (132 537 234) |
| Net Assets | | 251 630 903 | 245 082 223 |
| Revaluation reserve | 12 | 2 659 100 | 2 659 100 |
| Accumulated surplus | | 248 971 803 | 242 423 123 |
| Total Net Assets | | 251 630 903 | 245 082 223 |

* See Note 38

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 19 | 40 837 680 | 37 666 131 |
| Rental of facilities and equipment | 20 | 273 605 | 287 905 |
| Other income | 21 | 3 654 532 | 2 473 492 |
| Interest received | 22 | 5 860 804 | 3 992 959 |
| Total revenue from exchange transactions | | 50 626 621 | 44 420 487 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 23 | 52 307 737 | 35 299 594 |
| Licences or Permits | | 2 766 637 | 2 765 651 |
| Transfer revenue | | | |
| Government grants & subsidies | 25 | 145 196 304 | 133 592 189 |
| Fines, Penalties and Forfeits | 42 | 42 950 | 196 955 |
| Total revenue from non-exchange transactions | | 200 313 628 | 171 854 389 |
| Expenditure | | | |
| Employee related costs | 26 | (86 556 295) | (81 412 669) |
| Remuneration of councillors | 27 | (12 458 104) | (12 298 199) |
| Depreciation and amortisation | 28 | (24 855 332) | (28 308 931) |
| Impairment loss | 29 | (9 643 512) | - |
| Finance costs | 30 | (6 251 359) | (1 515 354) |
| Debt Impairment | 31 | (10 794 164) | (23 158 529) |
| Repairs and maintenance | 43 | (17 752 252) | (7 922 770) |
| Bulk purchases | 32 | (33 050 589) | (27 008 479) |
| Grants and Subsidies paid | 24 | (9 592 790) | (10 513 049) |
| General Expenses | 33 | (32 629 532) | (50 698 074) |
| Total expenditure | | (243 583 929) | (242 836 054) |
| Total revenue | | 250 940 249 | 216 274 876 |
| Total expenditure | | (243 583 929) | (242 836 054) |
| Operating surplus (deficit) | | 7 356 320 | (26 561 178) |
| Loss on disposal of assets and liabilities | 46 | (213 641) | (748 304) |
| Fair value adjustments | 34 | (594 000) | 1 927 100 |
| | | (807 641) | 1 178 796 |
| Surplus (deficit) before taxation | | 6 548 679 | (25 382 382) |
| Surplus (deficit) for the year | | 6 548 679 | (25 382 382) |

* See Note 38

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

| Figures in Rand | Revaluation reserve | Accumulated surplus | Total net assets |
|--|------------------------|------------------------|---------------------|
| Balance at 01 July 2013: Restated | 2 659 100 | 267 805 505 | 270 464 605 |
| Changes in net assets | | | |
| Surplus for the year | - | (25 382 382) | (25 382 382) |
| Total changes | - | (25 382 382) | (25 382 382) |
| Restated* Balance at 01 July 2014 | 2 659 100 | 242 423 124 | 245 082 224 |
| Changes in net assets | | | |
| Surplus for the year | - | 6 548 679 | 6 548 679 |
| Total changes | - | 6 548 679 | 6 548 679 |
| Balance at 30 June 2015 | 2 659 100 | 248 971 803 | 251 630 903 |

* See Note 38

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|--|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Service Charges | | 54 608 965 | 23 639 896 |
| Grants | | 147 300 212 | 138 363 551 |
| Interest income | | 5 860 804 | 3 992 960 |
| Other Income | | 6 737 724 | 5 724 002 |
| | | 214 507 705 | 171 720 409 |
| Payments | | | |
| Employee costs | | (99 797 712) | (93 710 867) |
| Suppliers | | (58 544 583) | (27 808 342) |
| Finance costs | | (6 251 359) | (1 515 354) |
| Other payments | | (23 504 923) | (45 227 661) |
| | | (188 098 577) | (168 262 224) |
| Total receipts | | 214 507 705 | 171 720 409 |
| Total payments | | (188 098 577) | (168 262 224) |
| Undefined difference compared to the cash generated from operations note | | 92 934 | - |
| Net cash flows from operating activities | 36 | 26 502 062 | 3 458 185 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (31 219 762) | (44 247 536) |
| Proceeds from sale of property, plant and equipment | 4 | (213 641) | (761 384) |
| Purchase of investment property | 3 | - | (3 545 800) |
| Purchase of other intangible assets | 5 | 8 077 | (269 466) |
| Proceeds from sale of financial assets | | - | 1 927 100 |
| Net cash flows from investing activities | | (32 019 326) | (46 897 086) |
| Cash flows from financing activities | | | |
| Finance lease payments - non-current | | 4 583 817 | 4 624 603 |
| Movement in consumer deposits | | 102 916 | 70 579 |
| Finance lease payments - current | | 916 983 | 9 231 905 |
| Net cash flows from financing activities | | 5 603 716 | 13 927 087 |
| Net increase/(decrease) in cash and cash equivalents | | 587 518 | 2 148 292 |
| Cash and cash equivalents at the beginning of the year | | 3 264 261 | 1 115 969 |
| Cash and cash equivalents at the end of the year | 11 | 3 851 779 | 3 264 261 |

* See Note 38

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-----------------|--------------------|-------------|--------------|--|---|-----------|
| Figures in Rand | | | | | | |

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Revenue | | | | | | |
| Revenue by source | | | | | | |
| Property rates | 30 580 058 | (3 731 483) | 34 311 541 | 52 998 116 | 18 686 575 | 1 |
| Service charges | 45 810 700 | (9 411 965) | 36 378 735 | 40 837 680 | 4 458 945 | 2 |
| Interest Received | 8 725 000 | (4 092 637) | 4 632 363 | 5 860 804 | 1 228 441 | 3 |
| Transfers recognised - operational | 150 460 500 | 9 307 000 | 159 767 500 | 145 196 304 | (14 571 196) | 4 |
| Other own revenue | 13 287 924 | (4 637 301) | 8 650 623 | 6 737 724 | (1 912 899) | 5 |
| Total Revenue (excluding capital transfers and contributions) | 248 864 182 | (12 566 386) | 243 740 762 | 251 630 628 | 7 889 866 | |
| Expenditure by type | | | | | | |
| Employee costs | (70 718 941) | (22 135 615) | (92 854 557) | (86 730 679) | 6 123 878 | 6 |
| Remuneration of councillors | (14 354 545) | 1 945 034 | (12 409 511) | (13 067 033) | (657 522) | 7 |
| Debt impairment | (12 672 000) | - | (12 672 000) | (10 794 164) | 1 877 836 | 8 |
| Depreciation & asset impairment | (23 731 068) | - | (23 731 068) | (24 465 802) | (734 734) | 9 |
| Finance charges | - | (4 000 000) | (4 000 000) | (6 251 359) | (2 251 359) | 10 |
| Bulk purchases | (22 100 229) | (5 488 619) | (27 588 848) | (33 050 589) | (5 461 741) | 11 |
| Transfers and grants | (12 400 000) | 3 560 000 | (8 840 000) | (9 592 790) | (752 790) | 12 |
| General expenses | (45 468 492) | 5 767 599 | (32 700 839) | (32 629 532) | 71 307 | 13 |
| Impairment loss | - | - | - | (9 643 512) | (9 643 512) | 14 |
| Repairs and Maintenance | (7 000 000) | - | (7 000 000) | (17 752 252) | (10 752 252) | 15 |
| Total expenditure | (208 445 275) | (20 351 601) | (221 796 823) | (243 977 712) | (22 180 889) | |
| Revenue | 248 864 182 | (12 566 386) | 243 740 762 | 251 630 628 | 7 889 866 | |
| Expenditure | (208 445 275) | (20 351 601) | (221 796 823) | (243 977 712) | (22 180 889) | |
| Other | - | - | - | - | - | |
| Deficit | 40 418 907 | (32 917 987) | 21 943 939 | 7 652 916 | (14 291 023) | |
| Loss on disposal of assets and liabilities | - | - | - | (213 641) | (213 641) | |
| Fair value adjustments | - | - | - | (594 000) | (594 000) | |
| Deficit after capital transfers & contributions | 40 418 907 | (32 917 987) | 21 943 939 | 6 845 275 | (15 098 664) | |
| Deficit for the year | 40 418 907 | (32 917 987) | 21 943 939 | 6 845 275 | (15 098 664) | |

The accounting policies on pages 14 to 30 and the notes on pages 31 to 65 form an integral part of the annual financial statements.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

All amounts have been rounded off to the nearest rand in accordance with GRAP 1 paragraph 54 (e).

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note 46 "Prior period errors".

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

Dissolving and merger of Municipality:

The Demarcation Board has suggested an amalgamation of Nkonkobe Local Municipality with Nxuba Local Municipality. Should the suggested merger be successful, both municipalities will be dissolved and a new municipality formed. The assets and liabilities of the municipality will be transferred on a going concern basis to the newly established municipality. The realisation of the assets transferred will be sufficient to settle the liabilities transferred. Accordingly, the financial statements will be prepared on accounting policies applicable to a going concern. The effective date of the merger is not yet determined.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Then an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Land | Straight line | indefinite life |
| Buildings | Straight line | 15-50 |
| Sewerage Mains & Purification Works | Straight line | 15-80 |

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Property, plant and equipment (continued)

| | | |
|----------------------------------|---------------|--------|
| Plant and machinery | Straight line | 5-15 |
| Furniture and fixtures | Straight line | 6 |
| Motor vehicles | Straight line | 5-10 |
| Office equipment | Straight line | 6 |
| IT equipment | Straight line | 3 |
| Computer software | Straight line | 3 |
| Specialised Plant and Equipment | Straight line | 10 |
| Cemeteries | Straight line | 15-50 |
| Community Halls | Straight line | 15-50 |
| Public Conveniences | Straight line | 15-50 |
| Recreational Facilities | Straight line | 15-50 |
| Parks and Gardens | Straight line | 15-50 |
| Roads and Paving | Straight line | 3-50 |
| Park facilities | Straight line | 15-50 |
| Specialised vehicles | Straight line | 6 |
| Solid Waste/Landfill Sites | Straight line | 20-100 |
| Water network | Straight line | 10-50 |
| Electricity Transmission Network | Straight line | 10-80 |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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Accounting Policies

1.4 Intangible assets (continued)

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.5 Financial instruments

Initial Recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Derecognition

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Nkonkobe Local Municipality

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Accounting Policies

1.5 Financial instruments (continued)

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Trade and Other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment and subsequently carried at amortised cost. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. The amount of the loss is recognised in the Statement of Financial Performance with in operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance, derivatives, combined instruments that are designated at fair value, instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

The amount of the loss is recognised in the Statement of Financial Performance with in operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from their reporting date are classified as current. Interest is charged on overdue accounts.

Financial Assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. The major class of asset being leased is Land and Buildings in Middelriif. Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable. The major class of asset being leased is Land and Buildings in Middelriif. At the reporting date the entity had contracted with tenants for the following future minimum lease payments: Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable. The major class of asset being leased is Vacant Land in Stockenström. At the reporting date the entity had contracted with tenants for the following future minimum lease payments: Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable. The major class of asset being leased is Land and Buildings in Alice. At the reporting date the entity had contracted with tenants for the following future minimum lease payments: Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable. The major class of asset being leased is Land and Buildings in Alice. At the reporting date the entity had contracted with tenants for the following future minimum lease payments: Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable. The major class of asset being leased is Vacant Land in Alice. At the reporting date the entity had contracted with tenants for the following future minimum lease payments: Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 years. There are no contingent rents receivable. At the reporting date the entity had contracted with tenants for the following future minimum lease payments:

Operating leases - lessee

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows: Leases are negotiated for an average term of two years and rentals are fixed for an average of two years. No contingent rent is payable. Operating Leases consists of the following:

Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable. The major category of asset leased is network cables. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable. The major category of asset leased is photocopying machines. At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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Accounting Policies

1.7 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Nkonkobe Local Municipality

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Accounting Policies

1.9 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Nkonkobe Local Municipality

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Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

○ Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

○ The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Nkonkobe Local Municipality

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Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Nkonkobe Local Municipality

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Accounting Policies

1.10 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Municipal Entity.

Nkonkobe Economic Development Agency is 100% owned by the Nkonkobe Local Municipality

The municipality provides a transfer subsidy to the development agency to assist with its operations. In addition the municipality also settles the entity's audit fees on its behalf.

Members of key management:

| | |
|------------------------------------|-----------------|
| Municipal manager (Acting): | Mr L Menze |
| Chief Financial Officer : | Mrs B Lubelwana |
| Strategic and LED: Senior Manager | Mr L Menze |
| Engineering: Senior Manager | Mr Z Nkosinkulu |
| Corporate Services: Senior Manager | Mrs N Fololo |

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.20 Events after reporting date

No events have occurred after 30 June 2015 which necessitates adjustment or disclosure within the annual financial statements.

1.21 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations

2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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3. Investment property

| | 2015 | | 2014 | |
|---------------------|---------------------|----------------|---------------------|----------------|
| | Cost / Valuation | Carrying value | Cost / Valuation | Carrying value |
| Investment property | 20 627 700 | - 20 627 700 | 21 221 700 | - 21 221 700 |

Reconciliation of investment property - 2015

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 21 221 700 | (594 000) | 20 627 700 |

Reconciliation of investment property - 2014

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 17 675 900 | 3 545 800 | 21 221 700 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

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4. Property, plant and equipment

| | 2015 | | | 2014 | | |
|----------------------------------|--------------------|---|--------------------|--------------------|---|--------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 5 352 200 | - | 5 352 200 | 5 352 200 | - | 5 352 200 |
| Buildings | 57 914 326 | (4 388 177) | 53 526 149 | 57 914 326 | (3 897 819) | 54 016 507 |
| Plant and machinery | 40 070 324 | (14 845 617) | 25 224 707 | 28 761 390 | (7 930 296) | 20 831 094 |
| Furniture and fixtures | 3 581 432 | (2 813 000) | 768 432 | 4 096 014 | (2 842 827) | 1 253 187 |
| Motor vehicles | 9 750 293 | (9 627 596) | 122 697 | 10 498 978 | (8 793 223) | 1 705 755 |
| IT equipment | 4 704 363 | (2 330 736) | 2 373 627 | 2 393 817 | (1 634 802) | 759 015 |
| WIP | 43 568 418 | (325 408) | 43 243 010 | 28 869 728 | - | 28 869 728 |
| Roads | 194 767 237 | (94 386 476) | 100 380 761 | 194 767 237 | (83 327 404) | 111 439 833 |
| Park facilities | 14 425 901 | (3 527 758) | 10 898 143 | 14 425 901 | (2 992 387) | 11 433 514 |
| Solid Waste | 12 059 988 | (10 808 244) | 1 251 744 | 12 218 377 | (382 214) | 11 836 163 |
| Electricity Transmission Network | 53 862 817 | (9 131 515) | 44 731 302 | 51 265 273 | (7 655 489) | 43 609 784 |
| Total | 440 057 299 | (152 184 527) | 287 872 772 | 410 563 241 | (119 456 461) | 291 106 780 |

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Depreciation | Total |
|----------------------------------|--------------------|-------------------|----------------|---------------------|--------------------|
| Land | 5 352 200 | - | - | - | 5 352 200 |
| Buildings | 54 016 507 | - | - | (490 358) | 53 526 149 |
| Plant and machinery | 20 831 094 | 11 308 934 | - | (6 915 321) | 25 224 707 |
| Furniture and fixtures | 1 253 187 | 233 976 | (172 632) | (546 099) | 768 432 |
| Motor vehicles | 1 705 755 | 195 075 | - | (1 778 133) | 122 697 |
| IT equipment | 759 015 | 2 310 546 | 294 422 | (990 356) | 2 373 627 |
| WIP | 22 739 115 | 20 503 895 | - | - | 43 243 010 |
| Roads | 111 439 833 | - | - | (11 059 072) | 100 380 761 |
| Park facilities | 11 433 514 | - | - | (535 371) | 10 898 143 |
| Solid Waste | 11 677 774 | - | - | (10 043 816) | 1 633 958 |
| Electricity Transmission Network | 43 609 784 | 2 597 544 | - | (1 476 026) | 44 731 302 |
| | 284 817 778 | 37 149 970 | 121 790 | (33 834 552) | 288 254 986 |

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

| | Opening balance | Additions | Disposals | Transfers received | Other changes, movements | Depreciation | Total |
|-------------------------------------|--------------------|-------------|-------------|-----------------------|--------------------------------|--------------|------------|
| Land | 5 352 200 | - | - | - | - | - | 5 352 20 |
| Buildings | 54 016 507 | - | (2 573 058) | 10 171 904 | - | (1 309 844) | 60 305 50 |
| Plant and machinery | 9 153 753 | 15 168 254 | (6 955) | - | - | (3 483 958) | 20 831 09 |
| Furniture and fixtures | 1 438 968 | 300 803 | (206 707) | - | - | (279 877) | 1 253 18 |
| Motor vehicles | 4 030 877 | 321 582 | (417 655) | - | - | (2 229 049) | 1 705 75 |
| IT equipment | 859 824 | 376 684 | (48 736) | - | - | (428 757) | 759 01 |
| WIP | 13 760 454 | 19 150 565 | - | (10 171 904) | - | - | 22 739 11 |
| Roads | 133 783 356 | (4 460 224) | (1 262 128) | - | - | (16 621 171) | 111 439 83 |
| Park facilities | 12 375 516 | - | (338 640) | - | - | (603 382) | 11 433 51 |
| Solid Waste | 15 377 887 | - | - | - | (3 317 899) | (382 214) | 11 677 |
| Electricity Transmission Network | 45 225 939 | - | - | - | - | (1 616 155) | 43 609 78 |
| | 295 375 281 | 30 857 664 | (4 853 879) | - | (3 317 899) | (26 954 387) | 291 106 78 |

Included in Plant Machinery and Equipment is items of plant purchased on a hire purchase agreement from Laman Financial Services

Restrictions on the use of plant are as follows;

Use of goods:

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

Should it be required by law, you and any other person who uses or operates the goods must be fully qualified and/or licensed in respect of such goods.

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

You may not modify the goods in any way without Lamans prior approval

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

You may not take the goods out the republic of South Africa without prior written consent from Laman

Termination by passage of time:

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

You sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater.

Cession and Assignment:

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

You may not cede any of youre rights or assign youre obligations to any party without the prior written approval of Laman.

Insurance:

· You must sell the goods on behalf of laman for an amount not less than the residual value plus VAT or the market value whichever is greater

You at all times keep goods insured with a registered insurer approved by Laman against all insurable risks, loss and damage to the value of the principal debt reflected in the first schedule.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

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5. Intangible assets

| | 2015 | | | 2014 | | |
|--------------------|---------------------|--|----------------|---------------------|--|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, | 1 257 699 | (936 982) | 320 717 | 805 687 | (476 893) | 328 794 |

Reconciliation of intangible assets - 2015

| | Opening balance | Additions | Disposals | Amortisation | Total |
|-------------------|--------------------|-----------|-----------|--------------|---------|
| Computer software | 328 794 | 452 012 | (178 012) | (282 077) | 320 717 |

Reconciliation of intangible assets - 2014

| | Opening balance | Additions | Amortisation | Total |
|-------------------|--------------------|-----------|--------------|---------|
| Computer software | 59 328 | 427 715 | (158 249) | 328 794 |

6. Employee benefit obligations

Defined benefit plan

The defined benefit plan is focused on the liability that the municipality faces in respect of employees and continuation members currently covered by health care arrangements

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In service members will receive a post retirement subsidy of 70% of the contribution payable. Widows and orphans of eligible in service members are entitled to receive 60% subsidy on and after the death in service of an employee. All continuation members currently receive a 70% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

Statement of Financial Position

| | | |
|----------------------------------|------------|------------|
| Post employment medical benefits | 18 398 616 | 18 479 000 |
|----------------------------------|------------|------------|

Statement of Financial Performance

| | | |
|--|-------------|-----------|
| Termination benefits/ Post employment medical benefits | (1 211 463) | 5 266 550 |
|--|-------------|-----------|

Medical benefits

| | 2015 | 2014 | 2013 | 2012 |
|--|------------|------------|------------|------------|
| Present value of unfunded obligations | 18 398 189 | 18 479 000 | 13 381 304 | 12 445 195 |
| Total present value of obligations | 18 398 189 | 18 479 000 | 13 381 304 | 12 445 195 |
| Unrecognised past service costs | - | - | - | - |
| (Asset)/Liability for defined benefit obligations in the statement of financial position | 18 398 189 | 18 479 000 | 13 381 304 | 12 445 195 |

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6. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|-------------------|-------------------|
| Opening balance | 18 479 000 | 13 381 304 |
| Benefits paid | (546 914) | (168 854) |
| Net expense recognised in the statement of financial performance | 466 103 | 5 266 550 |
| | 18 398 189 | 18 479 000 |

Key assumptions used

Assumptions used at the reporting date:

| | | |
|--|----------|----------|
| Discount rates used | 9,06 % | 9,18 % |
| Health care cost inflation rate | 8,13 % | 8,34 % |
| Net effective discount rate | 0,86 % | 0,97 % |
| Average retirement age | 63,00 | 63,00 |
| Continuation of membership at retirement | 100,00 % | 100,00 % |
| Proportion assumed married at retirement | 90,00 % | 90,00 % |
| Mortality during employment: SA 85-90 | | |
| Mortality post-retirement: PA(90) -2 | | |

Withdrawal from service (sample annual rates)

| Age | Female | Male |
|------------|-----------|-----------|
| 20 | 13 % | 13 % |
| 30 | 11 % | 11 % |
| 40 | 6 % | 6 % |
| 50 | 3 % | 3 % |
| >55 | - | - |
| 140 | 33 | 33 |

Sensitivity Analysis

The liability at the Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Additional text

| Assumption | Change | In-service | Continuation | Total | % change |
|--|-------------|------------|--------------|------------|-----------|
| Central Assumptions | | 14 | 5 | 18 | - |
| Health care inflation | 1 | 17 | 5 | 22 | 20 |
| | (1)% | 11 | 4 | 16 | (16) |
| Discount Rate | 1 % | 11 | 4 | 16 | (15) |
| | (1)% | 17 | 5 | 22 | 20 |
| Post-retirement mortality in years | (1) | 14 | 5 | 19 | 4 |
| Average retirement age | (1) | 15 | 5 | 20 | 6 |
| Continuation of membership at retirement | (10) | 12 | 5 | 17 | (7) |
| | (12) | 111 | 38 | 150 | 12 |

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| 7. Inventories | | |
| Consumable stores | 817 178 | 686 705 |
| Inventory consist out of: | | |
| Consumable stores | 817 178 | 686 705 |

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| 8. Receivables from exchange transactions | | |
| Trade debtors | 27 614 922 | 31 864 927 |
| Provisions for doubtful debts | (19 095 513) | (22 206 633) |
| | 8 519 409 | 9 658 294 |

Balance as at 30 June 2015

| | Gross Balances | Provision for Doubtful Debts | Bad debts written off | Net Balance |
|-------------------|----------------|------------------------------|-----------------------|-------------|
| Electricity | 9 859 449 | (3 334 162) | (933 987) | 5 591 300 |
| Refuse | 23 810 734 | - | (20 936 335) | 2 874 399 |
| Other receivables | 1 657 791 | (441 452) | (1 162 629) | 53 710 |

Balance as at 30 June 2014

| | Gross Balances | Provision for Doubtful Debts | Net Balance |
|-------------------|-------------------|------------------------------|------------------|
| Electricity | 6 633 072 | (2 378 378) | 4 254 694 |
| Refuse | 15 241 397 | (12 288 821) | 2 952 576 |
| Other receivables | 3 375 430 | (924 406) | 2 451 024 |
| | 25 249 899 | (15 591 605) | 9 658 294 |

Refuse: Ageing

| | | |
|-----------------------|-------------------|-------------------|
| Current (0 – 30 days) | - | 715 598 |
| 31 - 60 Days | 728 934 | 610 654 |
| 61 - 90 Days | 674 359 | 555 434 |
| 91+ Days | 22 407 441 | 13 359 711 |
| | 23 810 734 | 15 241 397 |

Electricity: Ageing

| | | |
|-----------------------|------------------|------------------|
| Current (0 – 30 days) | - | 2 633 092 |
| 31 - 60 Days | 1 297 305 | 588 216 |
| 61 - 90 Days | 593 695 | 272 748 |
| 91+ Days | 7 968 449 | 3 139 017 |
| | 9 859 449 | 6 633 073 |

Other receivables: Ageing

| | | |
|-----------------------|------------------|------------------|
| Current (0 – 30 days) | 187 | 279 537 |
| 31 - 60 Days | 12 725 | 160 931 |
| 61 - 90 Days | 10 460 | 108 707 |
| 91+ Days | 1 634 419 | 2 826 255 |
| | 1 657 791 | 3 375 430 |

Summary of Debtors by Customer Classification

| | Consumers | Industrial / Commercial | Provincial and National Government | Total |
|---------------------------|-------------------|-------------------------|------------------------------------|-------------------|
| as at 30 June 2015 | | | | |
| Current (0 – 30 days) | 258 | - | - | 258 |
| 31 - 60 Days | 1 624 203 | 3 196 095 | 2 194 630 | 7 014 928 |
| 61 - 90 Days | 1 424 358 | 3 247 692 | 9 844 639 | 14 516 689 |
| 91+ Days | 38 642 140 | 17 580 817 | 27 543 742 | 83 766 699 |
| Subtotal | 41 690 959 | 24 024 604 | 39 583 011 | 105 298 574 |
| Less: Provision for rates | (23 197 202) | (13 367 492) | - | (36 564 694) |
| | 18 493 757 | 10 657 112 | 39 583 011 | 68 733 880 |

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8. Receivables from exchange transactions (continued) as at 30 June 2014

| | Consumers | Industrial / Commercial | Provincial and National Government | Total |
|------------------------------------|------------------|----------------------------|--|-------------------|
| Current (0 – 30 days) | 1 055 836 | 1 176 656 | 837 069 | 3 069 561 |
| 31 – 60 Days | 928 025 | 635 565 | 513 651 | 2 077 241 |
| 61 – 90 Days | 862 958 | 379 840 | 374 938 | 1 617 736 |
| 91+ Days | 27 444 988 | 3 556 546 | 14 517 092 | 45 518 626 |
| Subtotal | 30 291 807 | 5 748 607 | 16 242 750 | 52 283 164 |
| Less: Provision for doubtful debts | (27 932 677) | (5 300 905) | - | (33 233 582) |
| | 2 359 130 | 447 702 | 16 242 750 | 19 049 582 |

Included in the total debtors by customer classification is the following amounts
related to property rates (Refer to Note 9)

| | | |
|------------------------------|-------------------|-------------------|
| Property Rates | 73 135 473 | 28 008 909 |
| Provision for doubtful debts | (17 469 182) | (11 026 950) |
| | 55 666 291 | 16 981 959 |

Reconciliation of the doubtful debt provision

| | | |
|--|-------------------|-------------------|
| Balance at beginning of the year | 22 206 632 | 5 740 287 |
| Contributions to provision (Note 24) | 19 921 831 | 18 743 607 |
| Doubtful debts written off against provision | (23 032 950) | (2 277 262) |
| | 19 095 513 | 22 206 632 |

Trade and other receivables past due but not impaired

| | | |
|-------------------|------------------|------------------|
| Less than 30 days | - | - |
| 31 to 60 days | 187 | 3 791 006 |
| 61 to 90 days | 2 038 964 | 1 166 667 |
| | 1 278 514 | 1 239 418 |
| | 3 317 665 | 6 197 091 |

Trade and other receivables impaired

The amount of the provision was R 19 905 513.36 as at 30 June 2015 (2014: R 22 206 632.92).

Credit quality of trade and other receivables from exchange transactions.

The municipality does not have a formal credit quality assessment process

Fair value of trade and other receivables.

The carrying value of trade and other receivables approximates their fair value"

9. Receivables from non-exchange transactions

| | | |
|--|-------------------|-------------------|
| Other receivables from non-exchange revenue (impairment) | (17 376 248) | (11 026 950) |
| Government grants and subsidies | 11 751 635 | 20 000 000 |
| Property rates | 73 135 473 | 39 924 244 |
| | 67 510 860 | 48 897 294 |

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9. Receivables from non-exchange transactions (continued)

Rates-Ageing

| | | |
|-------------------|-------------------|-------------------|
| Less than 30 days | 71 | 769 824 |
| 31 to 60 days | 4 975 963 | 717 441 |
| 61 to 90 days | 13 238 175 | 680 846 |
| 61 to 90 days | 54 921 264 | 37 729 132 |
| TOTAL | 73 136 473 | 39 897 243 |

Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 84 887 108 (2014: R 59 924 243) were impaired and provided for.

The amount of the provision was R (17 469 182) as of 30 June 2015 (2014: R (11 026 950)).

Reconciliation of the doubtful debt provision

| | | |
|-------------------------------|-------------------|-------------------|
| Opening balance | 11 026 950 | 4 334 768 |
| Provision for impairment | 6 442 231 | 6 692 182 |
| Balance at end of year | 17 469 181 | 11 026 950 |

Property Rates

Interest is charged on all accounts that are overdue for more than 30 days. Interest charged is at prime rate plus 1%

Ageing of other non-exchange receivables

Government grants and subsidies

| | | |
|---------------|------------|------------|
| 61 to 90 days | 11 751 634 | 20 000 000 |
|---------------|------------|------------|

10. VAT receivable

| | | |
|-----|-----------|-----------|
| VAT | 3 863 037 | 2 455 629 |
|-----|-----------|-----------|

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors. All VAT returns were submitted and paid on time during the year

11. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------|------------------|------------------|
| Cash on hand | 5 559 | 3 698 |
| Bank balances | 3 036 662 | 2 468 386 |
| Call deposits | 9 376 | 9 076 |
| Other | 800 181 | 783 101 |
| | 3 851 778 | 3 264 261 |

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11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---------------------------------------|-------------------------|------------------|------------------|--------------------|------------------|------------------|
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2015 | 30 June 2014 | 30 June 2013 |
| ABSA BANK - Cheque - 4081716725 | 2 883 131 | 2 369 568 | - | 2 707 886 | 2 215 425 | - |
| FNB BANK - Cheque - 62026192336 | 328 776 | 252 961 | 1 120 891 | 328 776 | 252 961 | 1 105 797 |
| FNB BANK - Call Account - 62111847854 | 9 670 | 9 076 | 10 172 | 9 376 | 9 076 | 10 172 |
| ABSA BANK - Investment - 9287386171 | 1 | - | - | - | - | - |
| Other bank suspense accounts | - | - | - | 805 740 | 786 800 | - |
| Total | 3 221 578 | 2 631 605 | 1 131 063 | 3 851 778 | 3 264 262 | 1 115 969 |

12. Revaluation reserve

| | | |
|-----------------|-----------|-----------|
| Opening balance | 2 659 100 | 2 659 100 |
|-----------------|-----------|-----------|

13. Finance lease obligation

| | | |
|--|-------------------|-------------------|
| Minimum lease payments due | | |
| - within one year | 11 334 417 | 5 746 352 |
| - in second to fifth year inclusive | 8 979 256 | 10 022 140 |
| - later than five years | - | (5 746 352) |
| | 20 313 673 | 10 022 140 |
| less: future finance charges | (2 026 771) | (705 492) |
| Present value of minimum lease payments | 18 286 902 | 9 316 648 |
| Present value of minimum lease payments due | | |
| - within one year | 9 768 886 | 4 720 431 |
| - in second to fifth year inclusive | 8 518 016 | 9 316 648 |
| - later than five years | - | (4 720 431) |
| | 18 286 902 | 9 316 648 |
| Non-current liabilities | 10 301 192 | 9 384 209 |
| Current liabilities | 9 481 163 | 4 897 346 |
| | 19 782 355 | 14 281 555 |

The municipality purchased plant and equipment on a hire purchase agreement over a period of 36 months. The municipality is also renting photo copy machines for a period of 36 months.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | |
|--|------------------|------------------|
| Unspent conditional grants and receipts | | |
| MIG | 6 175 270 | - |
| INEP | - | 2 096 061 |
| EEDSM | - | 1 975 301 |
| Library Grants | - | - |
| ECDLGTA - Greening and Beautification | 714 164 | 714 164 |
| LSDF - Middledrift Spatial Development Framework | 147 392 | 147 392 |
| | 7 036 826 | 4 932 918 |

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15. Provisions

Reconciliation of provisions - 2015

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Change in discount factor | Total |
|------------------------------|-------------------|------------------|--------------------------|--------------------------|---------------------------|-------------------|
| Environmental rehabilitation | 16 498 682 | - | (3 188 395) | (3 317 899) | 476 231 | 10 468 619 |
| Employee benefit cost | 3 807 449 | 1 064 250 | - | - | - | 4 871 699 |
| | 20 306 131 | 1 064 250 | (3 188 395) | (3 317 899) | 476 231 | 15 340 318 |

Reconciliation of provisions - 2014

| | Opening Balance | Additions | Reversed during the year | Change in discount factor | Total |
|------------------------------|-------------------|------------------|--------------------------|---------------------------|-------------------|
| Environmental rehabilitation | 16 599 454 | 4 384 818 | (5 606 385) | 1 120 795 | 16 498 682 |
| Employee benefit cost | 3 491 548 | 315 901 | - | - | 3 807 449 |
| | 20 091 002 | 4 700 719 | (5 606 385) | 1 120 795 | 20 306 131 |

Provision for rehabilitation of landfill sites

The municipality operates 4 refuse disposal sites in and around Nkonkobe Municipality (Alice, Middelburg, Fort Beaufort and Seymour). In accordance with legislation, every year the municipality raises a provision for the estimated cost of rehabilitating the land on which the sites are situated. The provision is assessed every year by a qualified valuer and a liability raised. Movements in the provision are recognised in the statement of financial performance.

Principal assumptions:

The estimates for the previous years were calculated by using the rates for items as used by ourselves during those years. The cost estimates show an increase from 2013 to 2014, but a decrease from 2014 to 2015 for the Alice and Middelburg sites. This is due to certain construction items having decreased in price per unit.

The table below indicates the CPI (all items) and PPI (Civil Engineering) headlines from June to June of the past 5 years obtained from StatsSA.

From the below it can be seen that construction item unit rates decreased from 2014 to 2015, but hourly rates for personnel and other costs increased.

Summary of assumptions

The following assumptions were made in order to provide estimates for the rehabilitation of the sites under consideration:

- All sites fall under the category of previously unlined B- sites, the capping design as described in section 3 is therefore used to calculate the estimates.
- The above indicated footprints requiring rehabilitation are correct and verified by the site owners.
- Sufficient quantities of capping material as described in section 3.1 are available from on-site and nearby sources.
- Minimal shaping of the existing waste body as this should be done during site operations to maximise use of the available disposal airspace.
- Provision for Fort Beaufort was not calculated for 30 June 2015 as construction for rehabilitation is under way and funded by D:EA.

| Year | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 |
|-------------------|----------|-----------|-----------|-----------|------------|
| PPI Civ. Eng. (%) | - | 5 | 5 | 3 | (7) |
| CPI all items (%) | 5 | 5 | 6 | 7 | 5 |
| | 5 | 10 | 11 | 10 | (2) |

Provision for long-service awards

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15. Provisions (continued)

The municipality offers employees Long Service Awards for every 5 years of service completed, from 5 years of service to 45 years of service, inclusive. The LSA is not a funded arrangement.

Principal actuarial assumptions

| | | |
|--------------------------|---------|--------|
| Discount rate | 7,73 % | 7,87 % |
| General salary inflation | 6,91 % | 7,09 % |
| Net discount rate | 0,77 % | 0,73 % |
| Average retirement age | 63 | |
| Pre-retirement mortality | SA85-90 | |

16. Consumer deposits

| | | |
|-------------|-----------|-----------|
| Electricity | 1 371 746 | 1 268 830 |
|-------------|-----------|-----------|

Consumer deposits collected do not accrue any interest.

17. Payables from exchange transactions

| | | |
|-----------------------------------|-------------------|-------------------|
| Trade payables | 36 153 193 | 35 750 069 |
| Amounts received in advance | 14 599 862 | 11 754 778 |
| Accrued leave pay & bonus accrued | 7 399 975 | 6 938 649 |
| Other creditors | 20 081 846 | 21 809 857 |
| | 78 234 877 | 76 253 356 |

18. Revenue

| | | |
|------------------------------------|--------------------|--------------------|
| Service charges | 40 837 680 | 37 666 131 |
| Rental of facilities and equipment | 273 605 | 287 905 |
| Other income | 3 654 532 | 2 473 492 |
| Interest received - investment | 5 860 804 | 3 992 959 |
| Property rates | 52 307 737 | 35 299 594 |
| Government grants & subsidies | 145 196 304 | 133 592 189 |
| Fines, Penalties and Forfeits | 42 950 | 196 955 |
| | 248 173 612 | 213 509 225 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|------------------------------------|-------------------|-------------------|
| Service charges | 40 837 680 | 37 666 131 |
| Rental of facilities and equipment | 273 605 | 287 905 |
| Other income | 3 654 532 | 2 473 492 |
| Interest received - investment | 5 860 804 | 3 992 959 |
| | 50 626 621 | 44 420 487 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|-------------------------------|--------------------|--------------------|
| Taxation revenue | | |
| Property rates | 52 307 737 | 35 299 594 |
| Licences or permits | 2 766 637 | 2 765 651 |
| Transfer revenue | | |
| Government grants & subsidies | 145 196 304 | 133 592 189 |
| Fines, Penalties and Forfeits | 42 950 | 196 955 |
| | 200 313 628 | 171 854 389 |

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|--|-------------------|-------------------|
| 19. Service charges | | |
| Sale of electricity | 30 787 752 | 28 225 759 |
| Refuse removal | 10 049 928 | 9 440 372 |
| Total Service Charges | 40 837 680 | 37 666 131 |
| 20. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Straight-lined operating lease receipts | 272 095 | 286 395 |
| Other rentals | 1 510 | 1 510 |
| | 273 605 | 287 905 |
| The major category of rentals relates to house that are rented out to employees. | | |
| 21. Other Income | | |
| Revenue from Exchange Transactions - Sale of goods and services | 3 654 532 | 2 473 492 |
| 22. Investment revenue | | |
| Interest revenue | | |
| Bank | 255 766 | 189 803 |
| Interest charged on trade and other receivables | 5 227 626 | 3 402 554 |
| Financial assets | 377 412 | 400 602 |
| | 5 860 804 | 3 992 959 |

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23. Property rates

Rates received

| | | |
|-----------------------|-------------------|-------------------|
| Residential | 3 441 197 | 3 631 346 |
| Commercial | 3 928 669 | 4 723 161 |
| State | 44 499 347 | - |
| Heavy industries | - | 1 302 153 |
| Light Industries | - | 24 881 159 |
| Church | - | 69 |
| Industrial | - | 32 |
| Privately Owned Towns | - | 553 102 |
| Vacant | 438 524 | 92 429 |
| Multy Purpose | - | 116 143 |
| | 52 307 737 | 35 299 594 |

Valuations

| | | |
|-------------|----------------------|----------------------|
| Residential | 1 131 975 500 | 884 949 644 |
| Commercial | 796 875 992 | 958 259 930 |
| State | 2 428 463 200 | 1 311 563 046 |
| Other | - | 165 190 288 |
| | 4 357 314 692 | 3 319 962 908 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0079 (residential), 0.016274 (business), 0.0237 (state) is applied to property valuations to determine assessment rates. Rebates of R35,000 are granted to residential property owners.

Rates are levied on a monthly or annual basis with the final date of payment being 30 September for annual levies. Interest at prime+1% per month (2014:prime +1%) is levied on outstanding rates. A reclassification in categories is noted here above. This is as a result of the new valuation roll that was implemented.

24. Grants and subsidies paid

Other subsidies

| | | |
|---|------------------|-------------------|
| Indigent Subsidy to consumers | 6 052 644 | 8 942 095 |
| Nkonkobe Economic Development Agency (NEDA) | 3 340 146 | 1 370 954 |
| Other | 200 000 | 200 000 |
| | 9 592 790 | 10 513 049 |
| Grants paid to ME's | - | - |
| Other subsidies | 9 592 790 | 10 513 049 |
| | 9 592 790 | 10 513 049 |

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25. Government grants and subsidies

Grants

| | | |
|---|--------------------|--------------------|
| Equitable share | 106 485 000 | 94 338 000 |
| MSIG | 934 000 | 890 000 |
| FMG | 1 800 000 | 1 650 000 |
| Integrated national electrification programme | 2 652 357 | 1 503 939 |
| energy efficiency & demand side management | 2 452 987 | 3 024 399 |
| Library grants and EPWP | 1 871 000 | 801 000 |
| Expanded public works programme | 2 600 000 | 2 180 000 |
| LGSITA | 369 230 | 57 851 |
| MIG | 26 031 730 | 29 147 000 |
| | 145 196 304 | 133 592 189 |

Reconciliation of movement in grant

Government Grants and Subsidies Reconciliation of Movement in Grant - 2015

| | Balance unspent at beginning of year | Current year receipts | Conditions met - transferred to revenue | Conditions still to be met - remain liabilities | Amount Returned |
|---|---|--------------------------|---|--|--------------------|
| Equitable share | - | 106 485 000 | 106 485 000 | - | - |
| MIG | - | 32 207 000 | 26 031 730 | 6 175 270 | - |
| MSIG | - | 934 000 | 934 000 | - | - |
| FMG | - | 1 800 000 | 1 800 000 | - | - |
| Integrated national electrification programme | 2 096 060 | 2 500 000 | 2 652 357 | (151 995) | (2 096 423) |
| energy efficiency & demand side management | 1 975 301 | 1 500 000 | 2 452 987 | (952 986) | (1 975 301) |
| Library grants | - | 801 000 | 801 000 | - | - |
| Expanded public works programme | - | 1 070 000 | 1 070 000 | - | - |
| Expanded public works programme | - | 2 600 000 | 2 600 000 | - | - |
| ECDLGTA - greening and beautification (other) | 714 164 | - | - | 714 164 | - |
| LSDf - middeldrift spatial development framework | 147 392 | - | - | 147 392 | - |
| LG-SETA | - | 220 500 | 220 500 | - | - |
| LG-SETA | - | 148 730 | 148 730 | - | - |
| | 4 932 917 | 150 266 230 | 145 196 304 | 5 931 845 | (4 071 724) |

Reconciliation of Movement in Grant - 2014

| | Balance unspent at beginning of year | Current year receipts | Conditions met - transferred to revenue | Conditions still to be met - remain liabilities |
|--|---|--------------------------|---|--|
| Equitable Share | - | 94 338 000 | 94 338 000 | - |
| MIG Grant | - | 29 147 000 | 29 147 000 | - |
| MSIG | - | 890 000 | 890 000 | - |
| FMG | - | 1 650 000 | 1 650 000 | - |
| Integrated national electrification programme | - | 3 600 000 | 1 503 939 | 2 096 061 |
| energy efficiency & demand side management | - | 4 999 700 | 3 024 399 | 1 975 301 |
| Library grants | - | 801 000 | 801 000 | - |
| Expanded Public Works Programme (EPWP) | - | 2 180 000 | 2 180 000 | - |
| ECDLGTA - greening and beautification (other) | 14 164 | 700 000 | - | 714 164 |
| LSDf - middeldrift spatial development framework | 147 392 | - | - | 147 392 |
| LGSITA | - | 57 851 | 57 851 | - |
| | 161 556 | 138 363 551 | 133 592 189 | 4 932 918 |

Equitable Share

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|-----------------|------|------|
|-----------------|------|------|

25. Government grants and subsidies (continued)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 155 (2014: R 88), which is funded from the grant.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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26. Employee related costs

| | | |
|--|-------------------|-------------------|
| Basic | 57 206 833 | 47 098 843 |
| Bonus | 3 485 337 | 4 356 399 |
| Medical aid - company contributions | 2 952 248 | 1 872 506 |
| UIF | 434 578 | 395 931 |
| WCA | 1 068 769 | 1 257 606 |
| SDL | 756 061 | 652 986 |
| Other payroll levies | 8 466 957 | 7 390 263 |
| Leave pay provision charge | 2 080 329 | 2 044 316 |
| Travel, motor car, accommodation, subsistence and other allowances | 2 377 476 | 3 211 751 |
| Overtime payments | 1 719 181 | 1 884 292 |
| Long-service awards | 536 889 | 633 280 |
| Housing benefits and allowances | 1 856 043 | 315 877 |
| Other Council Contributions | 202 817 | 191 979 |
| Termination benefits | (1 211 463) | 5 266 550 |
| Employee costs - wages - casual staff | 4 798 624 | 1 561 665 |
| | 86 730 679 | 78 134 244 |

Remuneration of municipal manager

| | | |
|---|----------------|------------------|
| Annual Remuneration | 426 199 | 582 135 |
| Car Allowance | 265 748 | 390 608 |
| Reimbursive Allowance (S&T) | 30 898 | - |
| Contributions to UIF, Medical and Pension Funds | 6 669 | 10 696 |
| Other | 174 384 | 33 434 |
| Undefined Difference | (174 384) | - |
| | 729 514 | 1 016 873 |

Remuneration of chief finance officer

| | | |
|---|----------------|----------------|
| Annual Remuneration | 532 371 | 415 207 |
| Car Allowance | 254 366 | 299 464 |
| Reimbursive Allowance (S&T) | 61 601 | - |
| Contributions to UIF, Medical and Pension Funds | 10 038 | 103 018 |
| Other | 47 151 | 20 484 |
| | 905 527 | 838 173 |

Remuneration of executive directors

| Remuneration of Individual Executive Directors - 2015 | Annual Remuneration | Travel, motor car, accommodation, subsistence and other allowances | Reimbursive travel allowance | Contributions to UIF, Medical and Pension Funds | Total |
|---|---------------------|--|------------------------------|---|------------------|
| Technical Services | 554 248 | 353 388 | 5 998 | 10 153 | 923 787 |
| Corporate Services | 554 248 | 353 388 | 92 888 | 10 783 | 1 011 307 |
| Strategic LED | 554 248 | 436 593 | 43 565 | 10 714 | 1 045 120 |
| | 1 662 744 | 1 143 369 | 142 451 | 31 650 | 2 980 214 |

Remuneration of Individual Executive Directors

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26. Employee related costs (continued)

Remuneration of Individual Executive Directors - 2014

| | Annual Remuneration | Reimbursable travel allowance | Travel, motor car, accommodation, subsistence and other allowances | Contributions to UIF, Medical and Pension Funds | Total |
|---|---------------------|-------------------------------|--|---|------------------|
| Technical Services | 505 833 | 12 813 | 328 794 | 9 560 | 857 000 |
| Corporate Services | 255 000 | 9 451 | 169 962 | 5 099 | 439 512 |
| Corporate Services: Acting Senior Manager | 427 708 | 6 589 | 168 078 | 99 371 | 701 746 |
| Strategic LED | 93 000 | 2 650 | 168 190 | 3 026 | 266 866 |
| Strategic LED: Acting Senior Manager | 324 900 | 5 440 | 308 291 | 81 290 | 719 921 |
| | 1 606 441 | 36 943 | 1 143 315 | 198 346 | 2 985 045 |

27. Remuneration of councillors

| | | |
|-----------------------------------|-------------------|-------------------|
| Mayor | 230 313 | 713 859 |
| Executive Committee Members | 2 774 071 | 2 141 832 |
| Speaker | 604 887 | 579 051 |
| Councillors | 1 928 263 | 673 269 |
| Councillors' pension contribution | 3 511 308 | 3 205 594 |
| Councillors' allowances | 3 409 262 | 4 984 594 |
| | 12 458 104 | 12 298 199 |

The Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the speaker have use of the Council owned vehicle for official duties and are also allocated a drivers at the expense of the Council.

28. Depreciation and amortisation

| | | |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | 24 573 255 | 28 164 828 |
| Intangible assets | 282 077 | 144 103 |
| | 24 855 332 | 28 308 931 |

29. Impairment of assets

Impairments

| | | |
|---|-----------|---|
| Property, plant and equipment | 9 643 512 | - |
| Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.] | 9 643 512 | - |
| | - | - |

Fort Beaufort landfill site that has been used for disposing waste over the year, is in the process of closure. This site is being rehabilitated and will no longer be used for disposing waste. The total rehabilitation cost capitalised to the asset was R11million. With the closure and rehabilitation in progress, the total rehabilitation cost previously capitalised to the asset was impaired to correspond with the provision for rehabilitation of the site that was recognized as a non current liability.

30. Finance costs

| | | |
|------------------------------------|------------------|------------------|
| Trade and other payables | 3 808 694 | 328 073 |
| Interest on unwinding of provision | 2 442 665 | 1 187 281 |
| | 6 251 359 | 1 515 354 |

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31. Debt impairment

| | | |
|---------------------------|---------------------|---------------------|
| Exchange transactions | (19 095 513) | (22 206 633) |
| Non exchange transactions | (17 376 248) | (11 026 950) |
| | (36 471 761) | (33 233 583) |

32. Bulk purchases

| | | |
|-------------|------------|------------|
| Electricity | 33 050 589 | 27 008 479 |
|-------------|------------|------------|

33. General expenses

| | | |
|---|-------------------|-------------------|
| Advertising | 237 372 | 638 311 |
| Auditors remuneration | 3 659 361 | 3 881 947 |
| Bank charges | 374 865 | 213 761 |
| Cleaning | 16 053 | 228 420 |
| Commission paid | 31 122 | 193 309 |
| Consulting and professional fees | 2 479 397 | 8 700 133 |
| Consumables | 309 362 | 549 004 |
| Donations | 23 189 | 37 244 |
| Entertainment | 87 328 | 319 521 |
| Rental of equipment | 16 000 | 1 743 872 |
| Insurance | 1 044 762 | 966 512 |
| Motor vehicle expenses | 272 977 | 273 003 |
| Fuel and oil | 2 809 586 | 2 974 456 |
| Postage and courier | 46 413 | 227 298 |
| Printing and stationery | 531 096 | 446 968 |
| Protective clothing | 210 487 | 463 647 |
| Security (Guarding of municipal property) | 178 369 | 225 542 |
| Staff welfare | 40 112 | 175 685 |
| Subscriptions and membership fees | 737 086 | 1 100 966 |
| Telephone and fax | 3 613 034 | 3 122 037 |
| Training | 986 901 | 1 055 111 |
| Travel - local | 1 982 424 | 4 058 329 |
| Electricity | 95 259 | 138 822 |
| Water | 192 959 | 2 527 612 |
| Tourism development | 526 431 | 598 094 |
| Events | 112 124 | 1 750 883 |
| Ward Committee Activities | 2 719 312 | 2 596 116 |
| Bursaries | 119 664 | (53 830) |
| Special Programmes | 2 278 714 | 1 422 364 |
| CO-OP | 1 218 158 | 1 033 160 |
| Valuation costs | 1 385 571 | 1 409 551 |
| Other expenses | 4 294 044 | 7 680 226 |
| | 32 629 532 | 50 698 074 |

34. Fair value adjustments

Other financial assets

| | | |
|--|-----------|-----------|
| • Other financial assets (Designated as at Fair Value through Profit & Loss) | (594 000) | 1 927 100 |
|--|-----------|-----------|

35. Auditors' remuneration

| | | |
|------------|-----------|-----------|
| Audit Fees | 3 659 361 | 3 881 947 |
|------------|-----------|-----------|

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|--|-------------------|------------------|
| 36. Cash generated from operations | | |
| Surplus (deficit) | 6 548 679 | (25 382 382) |
| Adjustments for: | | |
| Depreciation and amortisation | 24 855 332 | 28 308 931 |
| Gain on sale of assets and liabilities | 213 641 | 748 304 |
| Fair value adjustments | 594 000 | (1 927 100) |
| Debt impairment | 20 437 676 | 23 158 529 |
| Movements in retirement benefit assets and liabilities | (80 384) | 5 097 696 |
| Movements in provisions | 7 906 482 | 261 094 |
| Changes in working capital: | | |
| Inventories | (130 473) | 245 234 |
| Receivables from exchange transactions | 1 138 885 | (611 236) |
| Debt impairment | (20 437 676) | (23 158 529) |
| Other receivables from non-exchange transactions | (18 520 632) | (43 358 455) |
| Payables from exchange transactions | 1 981 521 | 37 390 722 |
| VAT | (1 407 408) | (2 197 609) |
| Unspent conditional grants and receipts | 2 103 908 | 4 771 362 |
| Other liability | 1 298 511 | 111 624 |
| | 26 502 062 | 3 458 185 |

37. Related parties

Members of key management:

Municipal manager : (Resigned February 2015)

Municipal manager : (Acting)

CFO

LED Senior Manager :

Technical Services Senior Manager :

Corporate Services Senior Manager

Mr KC Maneli

Mr L Menze

Mrs B Lubelwana

Mr L Menze

Mr Z Nkosinkulu

Mrs NK Fololo

Municipal Entity

Nkonkobe Economic Development Agency is 100% owned by the Nkonkobe Local Municipality

The municipality provides a transfer subsidy to the development agency to assist with its operations. In addition the municipality also settles the entity's audit fees on its behalf.

Related party transactions

| | | |
|--|-----------|-----------|
| Subsidy paid to Nkonkobe Economic Development Agency | 3 340 146 | 2 592 149 |
|--|-----------|-----------|

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38. Prior period errors

Current Liabilities

Nkonkobe Municipality entered into an agreement with the department of environmental affairs whereby the department agreed to assist the municipality by paying for closure and rehabilitation of Fort Beaufort Landfill site and land rehabilitation, to the value of R20 000 000.00. No disclosure was made on the prior year's financial statement in respect of this agreement. The effect of the correction is as follows;

Statement of Financial Position

Deferred Income (Liability)

R20 000 000

Statement of Financial Position

Current Assets

Nkonkobe Municipality entered into an agreement with the department of environmental affairs whereby the department agreed to assist the municipality by paying for closure and rehabilitation of Fort Beaufort Landfill site and land rehabilitation, to the value of R20 000 000.00. No disclosure was made on the prior year's financial statement in respect of this agreement. The effect of the correction is as follows;

Receivables from non-exchange transactions

R20 000 000

Property Plant and Equipment

Roads and Work In Progress

A project that was completed in the 2013/14 financial year was not capitalised in that year. This project has now been capitalised based on the actual costs incurred. Accumulated depreciation on the asset has been re-stated as well. Incomplete projects were loaded on the system as assets instead of under construction projects. The assets were subsequently capitalised into completed assets on completion date. This resulted in double capitalisation thereby over stating assets. Depreciation was not affected by the double counting.

Effect;

Statement of Financial

Position

Property Plant and Equipment: (Roads)

(R 10 696 214)

Property Plant and Equipment (Parks)

(R 338 640)

Accumulated depreciation

R 76 047

Work In progress

(R 11 373 495)

Statement of Financial Performance

Depreciation

R 76 047

Non Current Provisions

Landfill sites Provisions

This provision has now been revised by experts. The correction of the error(s) results in adjustments are as follows;

Statement of Financial Position

Non Current Provisions (Provision for rehabilitation of landfill sites)

(R 13 993 089)

Non Current Assets

Property Plant and Equipment

R 9 580 174

Accumulated Depreciation

(R 261 096)

Statement of Financial Performance

Depreciation

R 382 214

Finance Costs (Unwinding of Interest)

R 1 120 795

Profit/Loss on sale of asset

R 11 493

Nkonkobe Local Municipality

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38. Prior period errors (continued)

Statement of financial position

| | 2014 As previously reported | Reclassificati on | Error | 2014 Re-stated |
|---|-----------------------------------|----------------------|--------------|-------------------|
| Non-Current Assets | | | | |
| Property, plant and equipment | 281 863 749 | - | 9 243 031 | 291 106 780 |
| Investment property | 21 221 700 | - | - | 21 221 700 |
| Intangible assets | 328 794 | - | - | 328 794 |
| Current Assets | | | | |
| Inventories | 686 705 | - | - | 686 705 |
| Trade and other receivables from exchange transactions | 9 658 294 | - | - | 9 658 294 |
| Other receivables from non-exchange transaction including taxes and fines | 28 897 294 | - | 20 000 000 | 48 897 294 |
| Cash and cash equivalents | 3 264 261 | - | - | 3 264 261 |
| Vat receivable | 2 455 629 | - | - | 2 455 629 |
| Equity and Liabilities | | | | |
| Equity | | | | |
| Reserves | (2 659 100) | - | - | (2 659 100) |
| Accumulated surplus/ (deficit) | (243 899 330) | - | 1 590 553 | (242 308 777) |
| Liabilities | | | | |
| Non-Current Liabilities | | | | |
| Finance lease obligation | (9 382 106) | (2 103) | - | (9 384 209) |
| Provision for longservice awards | (3 807 449) | - | - | (3 807 449) |
| Defined benefit plan obligations | (18 479 000) | - | - | (18 479 000) |
| Provision for rehabilitation of landfill sites | (2 505 593) | - | (13 993 089) | (16 498 682) |
| Current Liabilities | | | | |
| Current portion of finance lease obligation | (4 899 449) | 2 103 | - | (4 897 346) |
| Trade and other payables from exchange transactions | (44 498 575) | - | (20 000 000) | (64 498 575) |
| Current portion of unspent conditional grants and receipts | (4 932 919) | - | - | (4 932 919) |
| Other current financial liabilities | (289 299) | - | - | (289 299) |
| Consumer deposits | (1 268 829) | - | - | (1 268 829) |
| Payments received in advance | (11 754 778) | - | - | (11 754 778) |
| | (1) | - | (3 159 505) | (3 159 506) |

Statement of Financial Performance

| | 2014 As previously reported | Reclassificati on | Error | Column heading | 2014 Re-stated |
|---|-----------------------------------|----------------------|-------------|-------------------|-------------------|
| Revenue from non-exchange transactions | | | | | |
| Property rates | 35 299 594 | - | - | - | 35 299 594 |
| Fines, Penalties and Forfeits | 196 955 | - | - | - | 196 955 |
| Licenses and permits | 2 765 651 | - | - | - | 2 765 651 |
| Government grants and subsidies | 133 592 189 | - | - | - | 133 592 189 |
| Revenue from exchange transactions | | | | | |
| Service charges | 37 666 131 | - | - | - | 37 666 131 |
| Rental of facilities and equipment | 287 905 | - | - | - | 287 905 |
| Interest earned - external investments | 590 406 | - | - | - | 590 406 |
| Interest earned - outstanding receivables | 3 402 554 | - | - | - | 3 402 554 |
| Other income | 2 473 491 | - | - | - | 2 473 491 |
| Expenses | | | | | |
| Bulk purchases | (27 008 479) | - | - | - | (27 008 479) |
| Employee related costs | (81 412 668) | - | - | - | (81 412 668) |
| Remuneration of councilors | (12 298 199) | - | - | - | (12 298 199) |
| Bad debts | (23 158 529) | - | - | - | (23 158 529) |
| Depreciation and amortisation expense | (27 850 670) | - | (458 261) | - | (28 308 931) |
| Repairs and maintenance | (7 922 770) | - | - | - | (7 922 770) |
| Grants and subsidies paid | (10 513 049) | - | - | - | (10 513 049) |
| General expenses | (50 698 074) | - | - | - | (50 698 074) |
| Finance costs | (394 559) | - | (1 120 795) | - | (1 515 354) |

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|--|---------------------|---------------------|
| 38. Prior period errors (continued) | | |
| Gain / (Loss) on sale of assets | (851 156) | (862 648) |
| Gain / (Loss) on fair value adjustment | 1 927 100 | 1 927 100 |
| | (23 906 177) | (25 496 725) |

39. Risk management

Financial risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Sales to customers are settled in cash or with bank guaranteed cheques.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

Financial assets

| | | |
|---|-------------------|-------------------|
| Cash and cash equivalents | 3 851 778 | 3 264 261 |
| Other receivables from non-exchange transactions (cost) | 84 887 108 | 59 924 244 |
| Other receivables from non-exchange revenue (impair) | (17 376 248) | (11 026 950) |
| Trade and other receivables (cost) | 31 477 959 | 34 320 556 |
| Trade and other receivables (impairments) | (19 095 513) | (22 206 633) |
| | 83 745 084 | 64 275 478 |

Collateral held and other credit enhancements

The municipality does not hold any collateral in relation to the financial assets above.

Concentration of credit risk

Credit risk is mainly concentrated on Trade and other receivables from exchange transaction.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

| | | |
|------------------------------------|--------------|--------------|
| Consumer debtors | 40 % | 47 % |
| Industrial / Commercial | 23 % | 9 % |
| Provincial and National Government | 37 % | 44 % |
| | 100 % | 100 % |

Nkonkobe Local Municipality

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40. Irregular, Fruitless and Unauthorised Expenditure

Irregular expenditure

| | | |
|--|-------------------|-------------------|
| Opening balance | 16 602 581 | 13 400 605 |
| Add: Irregular Expenditure - current year | 15 117 756 | 3 201 976 |
| Less: Amounts condoned | - | - |
| Less: Amounts condoned | - | - |
| Less: Amounts not recoverable (not condoned) | - | - |
| | 31 720 337 | 16 602 581 |

Details of Irregular Expenditure

| | Description | Amount |
|--|-------------|-------------------|
| Vaxobyte PTY LTD | 1 | 300 000 |
| NKongjane Cleaning & Catering Co-operative | 2 | 624 167 |
| Laman Financial Services | 3 | 14 193 589 |
| | - | 15 117 756 |

- 1. The tender awarding committee did not form a quorum when this tender was awarded. The tender was subsequently terminated by council.
- 2. The tender awarding committee did not form a quorum when this tender was awarded. The tender was subsequently terminated by council
- The contract was awarded to the service provider based on application of sec 32 of the SCM policies. The awarding was regarded as irregular where the tender was awarded initially (Port St Johns Municipality), the Auditor General declared the awarding at Nkonkobe Municipality as irregular as well, based on the Port St Johns awarding.

Fruitless and Wasteful expenditure

| | | |
|------------------------------------|------------------|------------------|
| Opening Balance | 1 339 894 | 2 236 320 |
| Fruitless and wasteful expenditure | 1 336 605 | 1 339 894 |
| Approved or written off by Council | - | (2 236 320) |
| To be recovered – contingent asset | - | - |
| | 2 676 499 | 1 339 894 |

Details of Fruitless and Wasteful expenditure

Fruitless and wasteful expenditure relates to interest incurred on purchase of electricity (Eskom debt), late payments on audit fees and SARS.

Unauthorised expenditure

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 40 309 231 | 630 000 |
| Unauthorised expenditure | 30 433 910 | 39 679 231 |
| | 70 743 141 | 40 309 231 |

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41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer and council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Details of Minor breaches of SCM Policies

Budget & Treasury Office Department

| | Amount 2015 |
|---------------------|-------------|
| Times Media | 6 327 |
| Times Media | 7 592 |
| Grizzly Engineering | 24 943 |
| Aurecon | 637 225 |
| Central locksmith | 5 424 |
| Times Media | 11 080 |
| Times Media | 8 646 |
| Conlog | 13 939 |
| Aurecon | 470 200 |
| Kempston Fuels | 141 480 |

Engineering Department

| | |
|------------------------------|-----------|
| Candi-Lite Cables cc | 44 237 |
| Beak Shredder | 39 078 |
| North & Robertson's E.L | 17 416 |
| Huntshu | 1 749 835 |
| Zezethu Consulting Engineers | 813 276 |

Strategic Planning & LED Department

| | |
|-------------|--------|
| Times Media | 10 465 |
| Times Media | 6 202 |

Corporate Services Department

| | |
|------------------------------|---------|
| Fort Hare Community Radio | 4 500 |
| G&B Motors | 7 521 |
| Times Media | 6 202 |
| Times Media | 16 164 |
| Times Media | 19 853 |
| Times Media | 18 383 |
| Datnis Nissan | 2 382 |
| Tractor World | 2 105 |
| Barloworld | 142 728 |
| TFM Manufacturing | 4 066 |
| Province of the eastern cape | 16 771 |
| Datnis Nissan | 2 689 |
| Times Media | 6 202 |
| Times Media | 12 403 |
| Autohas BMW | 8 447 |
| Autohas BMW | 5 603 |
| Daftness Nissan | 28 977 |
| Coetzer Fire Services | 2 850 |
| Times Media | 6 566 |
| Times Media | 10 619 |
| Times Media | 6 566 |
| Babcock | 22 791 |
| P.G.GLASS | 1 308 |
| Province of the Eastern Cape | 2 352 |
| Ferobrake | 2 648 |
| Buffalo Toyota E/L | 6 830 |
| Ferobrake | 2 218 |

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41. Deviation from supply chain management regulations (continued)

| | |
|-----------------------------------|------------------|
| Ferobrake | 3 971 |
| The Motorbake Trust | 6 067 |
| Ferobrake | 8 299 |
| G and B Motors | 7 986 |
| Eastern Cape Tyres | 5 496 002 |
| Municipal Manager's Office | |
| Times Media | 6 618 |
| | 9 906 052 |

42. Fines, penalties and forfeits

| | | |
|-------|--------|---------|
| Fines | 42 950 | 196 955 |
|-------|--------|---------|

43. Repairs and Maintenance

| | | |
|-------------------------|------------|-----------|
| Repairs and maintenance | 17 752 252 | 7 922 770 |
|-------------------------|------------|-----------|

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44. Operating Leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating lease arrangements

Lessee

The major category of asset leased is Cell phone and data cards

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | | |
|--------------|------------------|------------------|
| Up to 1 year | 227 569 | 1 249 156 |
| 1 to 5 years | 910 277 | 340 824 |
| | 1 137 846 | 1 589 980 |

Lessor

The municipality rents out houses within its area to staff members. Rental collected as at year end amounted to R168 329.65
At the reporting date the entity had contracted with tenants for the following future minimum lease payments

Heading

| | | |
|--------------|----------------|----------------|
| Up to 1 year | 164 663 | 43 560 |
| 1 to 5 years | 685 650 | 108 900 |
| | 850 313 | 152 460 |

45. Statement of Budget Comparison: Reasons for variances

Explanation for variances is given for variances of 10% and above as they are considered material.

1. Rates: The municipality implemented three (3) supplementary valuations which resulted in a huge increase in the billing of rates, service charges and interest levied on overdue accounts
2. Service Charges: The municipality implemented three (3) supplementary valuations which resulted in a huge increase in the billing of rates, service charges and interest levied on overdue accounts
3. Interest Received: The municipality implemented three (3) supplementary valuations which resulted in a huge increase in the billing of rates, service charges and interest levied on overdue accounts
4. Transfer recognised: Variance below 10% therefore considered immaterial
5. Other revenue: The municipality implemented three (3) supplementary valuations which resulted in a huge increase in the billing of rates, service charges and interest levied on overdue accounts
6. Employee Cost: Variance less than 10% therefore immaterial
7. Councillors Allowance: Variance is less than 10% therefore immaterial
8. Debt Impairment: Analysis of impairment was done at year end. It was not possible to estimate and budget accurately as the objections to the valuation roll were pending and subvaluation rolls loaded in the middle of the year.
9. Depreciation: Variance is less than 10%, therefore considered immaterial.
10. Finance Charges: Interest on unwinding of provisions was not known at the time of preparing the budget, and was therefore not budgeted for. It should be noted that this interest is calculated by specialists which are appointed by the municipality to prepare these reports as at year end. The financial year must be closed before this interest can be calculated.
11. Bulk Purchases: The municipality entered into an agreement with Eskom in respect of unpaid bills from the previous financial year. The payment thereof resulted in over expenditure
12. Transfers and Grants: Variance is less than 10% therefore immaterial.
13. General expenses: Variance is less than 10% therefore considered immaterial.
14. Impairment loss : The impairment loss arises as a result of derecognition of Fort Beaufort Landfill site which is in the process of being closed. The landfill site value was not known at the time of budgeting.
15. Repairs and Maintenance: The increase is attributable to repairs and maintenance of land rehabilitation and expenses incurred on closure of the landfill site. These expenses are funded by the Department of Environmental Affairs. The funding was not included in the budget.

Nkonkobe Local Municipality

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Company Secretary's Certification

46. Gains or loss on sale of assets

| | | |
|-------------------------------|-----------|-----------|
| Property, plant and equipment | (213 641) | (748 304) |
|-------------------------------|-----------|-----------|

Nkonkobe Local Municipality

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47. Contingent Liabilities

Claim for damages

Claim 1

PLM Construction vs Nkonkobe Municipality - PLM Construction is suing the Municipality for payment in terms of a breach of contract on the construction of a road in Fort Beaufort. The claim was increased by the Plaintiff and the matter is still pending at year end. (Case abandoned in 2015 financial year)

- 78 066

Claim 2

B.E Baba vs Nkonkobe Municipality - The plaintiff is claiming for damages caused to his vehicle after it collided with one belonging to the municipality. The plaintiff passed away and it is probable that the case will not continue

- 16 100

Claim 3

Nkonkobe Municipality vs Mdlalo - The employee ordered retrospective reinstatement with 16 months compensation to the amount of R176 000. The award is taken in the labour court

176 000 176 000

Claim 4

Litigation in a matter between Nkonkobe Municipality and Mampana. Municipality sued for general damages for injuries sustained in a bridge at Fort Beaufort.

250 000 -

426 000 270 166

Fines and Penalties

The municipality is operating 3 landfill sites without the required permits from the Department of Environmental Affairs. The Department may impose a penalty of up to R10 000 000.00 per landfill site operated without the required permits or for non-compliance with permit conditions. There is uncertainty if the penalties will be imposed. (Licenses for all landfill sites were obtained from the Department of Environmental Affairs)

- 30 000 000

Contingent Assets

Nkonkobe Municipality vs Mdlalo & Luthweyi Civil - The employees were charged of embezzling funds. The municipality is in a process of recovering funds from their provident fund to the amount of R593 000. The claim is for legal costs incurred and the matter is before the labour court at year end.

104 000 104 000

48. Additional Disclosures in Terms of Municipal Finance Management Act

- -

- -

49. Additional Disclosures in Terms of Municipal Finance Management Act

Contributions to organised local government

Council subscription 947 131 1 911 842
Amount paid-current (947 131) (1 911 842)
Amount paid-previous year - -

- -

Balance unpaid (included in payable)

- -

Audit fees

opening balances 1 065 224 1 069 071
Current year audit fees 4 675 289 3 570 004
Amount paid-current (2 117 518) (2 500 934)

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

| | | |
|---|------------------|------------------|
| Amount paid-previous | (531 157) | (1 072 917) |
| Balance unpaid (included in payable) | 3 091 838 | 1 065 224 |

PAYE, SDL AND UIF

| | | |
|---|------------------|--------------|
| opening balances | - | - |
| Current year payroll deductions | 14 532 484 | 10 901 856 |
| Amount paid-current | (13 404 925) | (10 901 856) |
| Amount paid-previous | - | - |
| Balance unpaid (included in payable) | 1 127 559 | - |

Pension and Medical Aid Deductions

| | | |
|---|-------------------|--------------|
| opening balances | - | - |
| Current year payroll deductions | 16 484 406 | 12 384 709 |
| Amount paid-current | 15 207 642 | (12 384 709) |
| Amount paid-previous | - | - |
| Balance unpaid (included in payable) | 31 692 048 | - |

Councillor's arrear consumer accounts 2015

| | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|-------------------------------------|-------------------------------------|--------------|
| The following Councillors had arrear accounts outstanding for more than 90 days as at: as at 30 June 2015 | - | - | - |
| Councillor S P Matyila | - | 172 | 172 |
| Councillor M E Mgengo | - | 353 | 353 |
| Councillor C N Nono | 88 | 972 | 1 060 |
| Councillor N V Gora | 88 | 2 678 | 2 766 |
| Councillor P Sixolo | - | 138 | 138 |
| Councillor D Gysman | 603 | - | 603 |
| Councillor A A Booysen | 88 | 1 804 | 1 892 |
| Councillor E Bantam | 88 | 1 124 | 1 212 |
| Councillor T P Dwanya | - | 305 | 305 |
| | 955 | 7 546 | 8 501 |

Councillor's arrear consumer accounts 2014

| | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|--------------------------|-------------------------------------|-------------------------------------|---------------|
| Councillor S P Matyila | 304 | 1 389 | 1 693 |
| Councillor R A Kganedi | 625 | 886 | 1 511 |
| Councillor C N Nono | 292 | 900 | 1 192 |
| Councillor N V Gora | 325 | 3 149 | 3 474 |
| Councillor P Sixolo | 325 | 3 149 | 3 474 |
| Councillor D Gysman | 274 | 709 | 983 |
| Councillor Kanie-Esau LJ | 325 | 3 252 | 3 577 |
| Councillor A A Booysen | 112 | 1 | 113 |
| Councillor E Bantam | 304 | 617 | 921 |
| Councillor T P Dwanya | - | 305 | 305 |
| Councillor N Rulashe | 368 | 69 | 437 |
| Councillor N Ndlazi | 59 | 200 | 259 |
| Councillor S Maqoma | 274 | 365 | 639 |
| | 3 587 | 14 991 | 18 578 |

50. Capital Commitments

Commitments in respect of capital expenditure

Approved and contracted for

| | | |
|----------------|------------|------------|
| Infrastructure | 7 040 200 | 11 401 477 |
| Community | 2 499 771 | 1 833 114 |
| Other | 24 682 303 | 44 300 638 |

Nkonkobe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Company Secretary's Certification

| | | |
|--|-------------------|-------------------|
| | 34 222 274 | 57 535 229 |
| This expenditure will be financed from: | | |
| Own Revenue | 24 697 810 | 13 234 591 |
| Grants | 9 524 464 | 44 300 638 |
| | 34 222 274 | 57 535 229 |

51. Electricity Distribution losses

| | | |
|------------------------------|-------------------|-------------------|
| Electricity purchased | | |
| Pre-Paid & Metered | 32 684 721 | 30 074 784 |
| Free Basic Electricity | 4 269 500 | 4 145 100 |
| Sub-total | 36 954 221 | 34 219 884 |

| | | |
|---|-------------------|-------------------|
| Distributions | | |
| Pre-Paid (Customers) | 12 590 184 | 15 248 366 |
| Metered (Customers) | 14 655 878 | 12 882 805 |
| FBE (Customers) Alice (Direct from Eskom) | - | - |
| Sub-total | 27 246 062 | 28 131 171 |

| | | |
|---|-------------|------------|
| Total Energy lost | 9 708 159 | 7 561 910 |
| Normal Distribution Loss 10% | 970 816 | 756 191 |
| Subtotal | 10 678 975 | 8 318 101 |
| Total Average Energy Charge (Rate) - Purchased (45%) &(42%) | 3 966 332 | 3 130 630 |
| | 11 % | 7 % |

Appendix D

| | Prior Year | Current Year |
|---|------------|--------------|
| Segmental Statement of Financial Performance for the year ended | | |

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|--------------------------|-------------------------------|-------------------------------|--|--------------------------|-------------------------------|-------------------------------|
| Municipality | | | | | | |
| 11 211 546 | 26 074 522 | (14 862 976) | Executive & Council/Mayor and Council | 11 550 000 | 21 987 308 | (10 437 308) |
| 72 157 481 | 71 296 490 | 860 991 | Finance & Admin/Finance | 91 394 870 | 74 822 084 | 16 572 786 |
| 4 129 563 | 13 933 556 | (9 803 993) | Planning and Development/Economic Development/Plan | 5 854 100 | 11 800 758 | (5 946 658) |
| - | - | - | Health/Clinics | - | - | - |
| 801 000 | 740 287 | 60 713 | Comm. & Social/Libraries and archives | 1 871 000 | 1 548 997 | 322 003 |
| - | - | - | Housing | - | - | - |
| - | 10 422 574 | (10 422 574) | Public Safety/Police | - | 12 237 181 | (12 237 181) |
| - | 1 970 000 | (1 970 000) | Sport and Recreation | - | 2 089 078 | (2 089 078) |
| - | - | - | Environmental Protection/Pollution Control | - | - | - |
| 20 440 372 | 13 391 800 | 7 048 572 | Waste Water Management/Sewerage | 21 597 255 | 12 222 683 | 9 374 572 |
| 34 133 345 | 20 612 168 | 13 521 177 | Road Transport/Roads | 38 680 571 | 22 755 152 | 15 925 419 |
| - | - | - | Water/Water Distribution | - | - | - |
| 62 754 097 | 41 047 165 | 21 706 932 | Electricity /Electricity Distribution | 64 744 095 | 47 373 521 | 17 370 574 |
| 196 955 | 2 274 016 | (2 077 061) | Community & Social Services | 2 809 587 | 2 759 829 | 49 758 |
| 12 377 617 | 44 232 986 | (31 855 369) | Corporate Services/Human Resources | 13 129 147 | 34 846 698 | (21 717 551) |
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Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year Current Year

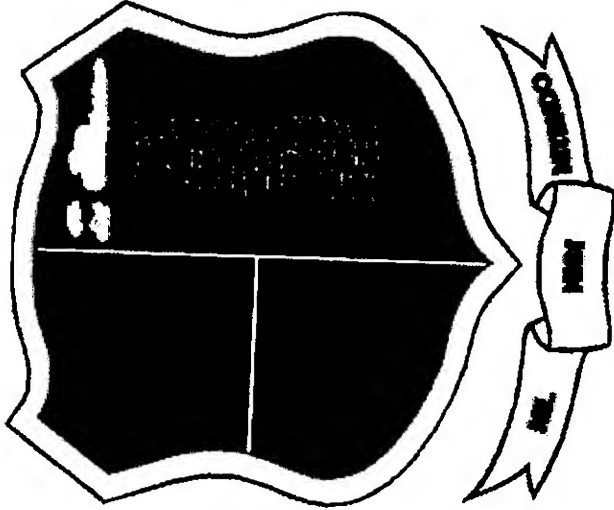
| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | Rand | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|--------------------------|-------------------------------|-------------------------------|------|--------------------------|-------------------------------|-------------------------------|
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| - | - | - | | - | - | - |
| - | - | - | | - | - | - |

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | | Quarterly Expenditure | | | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act |
|--|--|--------------------|------------|------------|------------|-----|-----|-----------------------|------------|------------|------------|------------|-----|--|
| | | Jun | Sep | Dec | Mar | Jun | Jun | Jun | Sep | Dec | Mar | Jun | Jun | |
| Equitable Share | National Treasury | - | 46 221 000 | 28 120 000 | 32 144 000 | - | - | - | 46 221 000 | 28 120 000 | 32 144 000 | - | - | Yes |
| MIG Grant | National Treasury | - | 8 735 000 | 10 736 000 | 12 736 000 | - | - | - | 6 573 348 | 4 303 034 | 2 970 791 | 12 184 557 | - | Yes |
| MSIG Grant | National Treasury | - | 934 000 | - | - | - | - | - | 71 146 | 110 288 | 752 567 | - | - | Yes |
| FMG | National Treasury | - | 1 800 000 | - | - | - | - | - | 580 063 | 364 089 | 370 691 | 485 157 | - | Yes |
| Integrated National Electrification Programme | Dept of Energy | - | - | - | 2 500 000 | - | - | - | 1 671 376 | - | - | 980 981 | - | Yes |
| Energy Efficiency and demand Side Management Grant | Dept of Energy | - | 1 500 000 | - | - | - | - | - | - | 664 418 | 664 418 | 1 124 151 | - | Yes |
| Libraries Grant | Dept of Sport Arts and Culture | - | - | - | 801 000 | - | - | - | 347 088 | 101 931 | 297 295 | 54 687 | - | Yes |
| Expanded Public Works Programme (EPWP) | Dept of Public Works | - | 428 000 | 321 000 | 321 000 | - | - | - | 440 936 | 381 932 | 247 132 | - | - | Yes |
| Provincial LED projects 1 | National Treasury | 714 164 | - | - | - | - | - | - | - | - | - | - | - | Yes |
| LSDf- Middle draft | National Treasury | 147 392 | - | - | - | - | - | - | - | - | - | - | - | Yes |
| Spatial Development Framework | Dept of Public Works | - | - | - | 2 600 000 | - | - | - | - | - | 256 681 | 2 343 319 | - | Yes |

| LG SETA | - | - | - | 220 500 | - | - | - | 220 500 | Yes |
|---------|------------|------------|------------|---------|--------|------------|------------|------------|------------|
| LG SETA | - | - | 56 716 | 78 562 | 13 452 | - | 150 000 | - | Yes |
| LG SETA | - | - | - | - | - | - | - | - | - |
| 861 556 | 59 618 000 | 39 233 716 | 51 401 062 | 13 452 | - | 56 054 957 | 34 045 692 | 37 703 575 | 17 393 352 |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



NKONKOBEMUNICIPALITY

| |
|--|
| QUARTER 4 AND ANNUAL PERFORMANCE REPORT |
| 2014/2015 FY |
| NKONKOBELocal Municipality |

Mr. A. NTSANGANI, CLLR
MAYOR OF NKONKOBÉ LOCAL MUNICIPALITY

I am pleased to submit the quarter 4 and Annual Performance Report for Nkonkobe Local Municipality and that of its Agency (Nkonkobe Economic Development Agency) for the 2014/ 2015 financial year.

The contents of the report are consistent with the disclosure principle contained in the guide for the preparation of Annual Performance Report as well as in terms of s46 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000). This report seeks to portray Nkonkobe Local Municipality's activities during the financial year under review and based on sound underlying departmental/entity and management systems.

In presenting this report, I acknowledge progress made by the municipality and its entity during the 2014/ 2015 financial year, as well as, the challenges and opportunities that lie ahead for the remainder of the financial year.



Mr. L. Menze

Acting Municipal Manager

Date: 20/8/2015

QUALITY CERTIFICATE

I, LUSANDA MENZE (Full Names), the Acting Municipal Manager of Nkonkobe Municipality hereby certify that the quarterly report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) for 4th quarter, and, **Annual Performance Report** (of the Municipality and Nkonkobe Economic Development Agency), for the full-year period ended 30 June 2015 has been prepared in accordance with the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (Act 32 of 2000)..


L. MENZE

ACTING MUNICIPAL MANAGER

20/8/2015
DATE

RECIEPT BY THE MAYOR

I, ANGEL NTSANGANI (Full Names), the Mayor of Nkonkobe Local Municipality, hereby accept the quarterly report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) of the municipality for the 4th quarter of the 2014/15 FINANCIAL YEAR and the **Annual Performance Report** (of the Municipality and Nkonkobe Economic Development Agency), for the period ended 30 June 2015 as presented by the Municipal Manager in terms of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (Act 32 of 2000).



Cllr. A. NTSANGANI

MAYOR

DATE

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Annexure A – B

SECTION 1

1.1 OVERVIEW

This Annual Performance Report is submitted by the Municipal Manager in terms of section 121 of the Municipal Finance Management Act (Act 56 of 2003), read with the Municipal Systems Act (Act 32 of 2000), especially section 46 (1) and (2), as well as, the Municipal Finance Management Act Circular 11 on annual reporting.

During the period under review, Nkonkobe Local Municipality had four departments, namely, Budget and Treasury, Corporate Services, Engineering Services and Strategic Planning and Local Economic Development. Reporting on this report will focus on each department's performance in 2014/15 financial year including the office of the municipal manager. In terms of local government agenda, and also in terms of the municipal planning and performance regulations for municipal manager and managers directly accountable to municipal manager (2001 and that of 2006) each manager must contribute to each of the National KPA's. Therefore, performance on each KPA will also be foreshadowed within this report as per contribution made by Municipal Manager, and other managers that are accountable to him/her.

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency and effectiveness and the impact of service delivery by the municipality. Therefore, performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organization and its employees, are met. At local government level performance management is institutionalised through legislative requirements on the performance management process for Local government.

This report covers the performance information from July 01, 2014 to June 30, 2015 and focuses on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP), in relation to the Integrated Development Plan (IDP). Furthermore, this report not only reflects on milestones

and challenges experienced, but also on-going commitment to progressively deepen accountability to citizens of the whole Nkonkobe Municipal Area.

In view of the foregoing, Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), a municipality must prepare for each financial year an annual report consisting of –

- (a) A performance report reflecting -
 - (i) the municipality's, and any service providers, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;
 - (ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and measures that were or are to be taken to improve performance.

1.2 RESOLUTION

1.2.1. That the fourth quarter report of the 2014/2015 financial year and [the] Annual Performance Report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) of the municipality and Annual Performance Report of Nkonkobe Economic Development Agency (NEDA) be noted.

1.2.2. that the fourth quarter report and Annual Performance Report on the implementation of the SDBIP 2014/15 be submitted to the Office of the Auditor General by 31 August 2015

1.2.3. that the fourth quarter report and Annual Performance Report on the implementation of the SDBIP 2014/15 be made public, for public viewing in all municipal offices.

1.3 LEGISLATIVE REQUIREMENTS

- 1.3.1. The SDBIP is defined in terms of Section 1 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003), and the format of the SDBIP is prescribed by the MFMA Circular 13 from National Treasury.
- 1.3.2. Section 41 (1) (e) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), prescribes that a process must be established for regular reporting to Council. This process is detailed in the Performance Management Policy of the Municipality.
- 1.3.3. Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) dictates that at the end of each financial year that a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year.
- 1.3.4. The Annual Report is [also] defined in terms of Section 121, 127 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003)

1.4 INSTITUTIONAL PERFORMANCE MANAGEMENT PROCESS OVERVIEW

During 2014/ 2015 financial year, the municipality made every attempt to ensure that it adheres with legislation concerning the development, operation and maintenance of a performance management system that is commensurate to the institutional service delivery objectives captured in the IDP. Nkonkobe Local Municipality has continued to maintain the effective operation of the following mechanisms:

- 1.4.1 the current 5 year Integrated Development Plan included strategic objectives, strategies and key performance indicators as required by the Municipal Systems Act (Act 32 of 2000);
- 1.4.2 the 2014/ 2015 budget for implementation of the IDP was approved within the prescribed timelines in the Municipal Finance Management Act (Act 56 of 2003);
- 1.4.3 after approval of the budget, the SDBIP was developed to integrate the IDP and the budget to ensure effective implementation of the institutional strategies;
- 1.4.4 performance agreements with performance plans were developed, signed and approved by the Mayor as required by the Municipal Planning and Performance Regulations (2001 and 2006);
- 1.4.5 quarterly performance reports with supporting evidence were prepared by managers directly reporting to the Municipal Manager (MM);
- 1.4.6 quarterly performance reports were objectively and independently audited by the Internal Audit Unit to verify and to confirm performance information as reflected in the reports, the unit also confirmed the credibility of evidence that was submitted quarterly;
- 1.4.7 the performance audit committee functioned optimally in the year, in line with the committee's approved terms of reference.

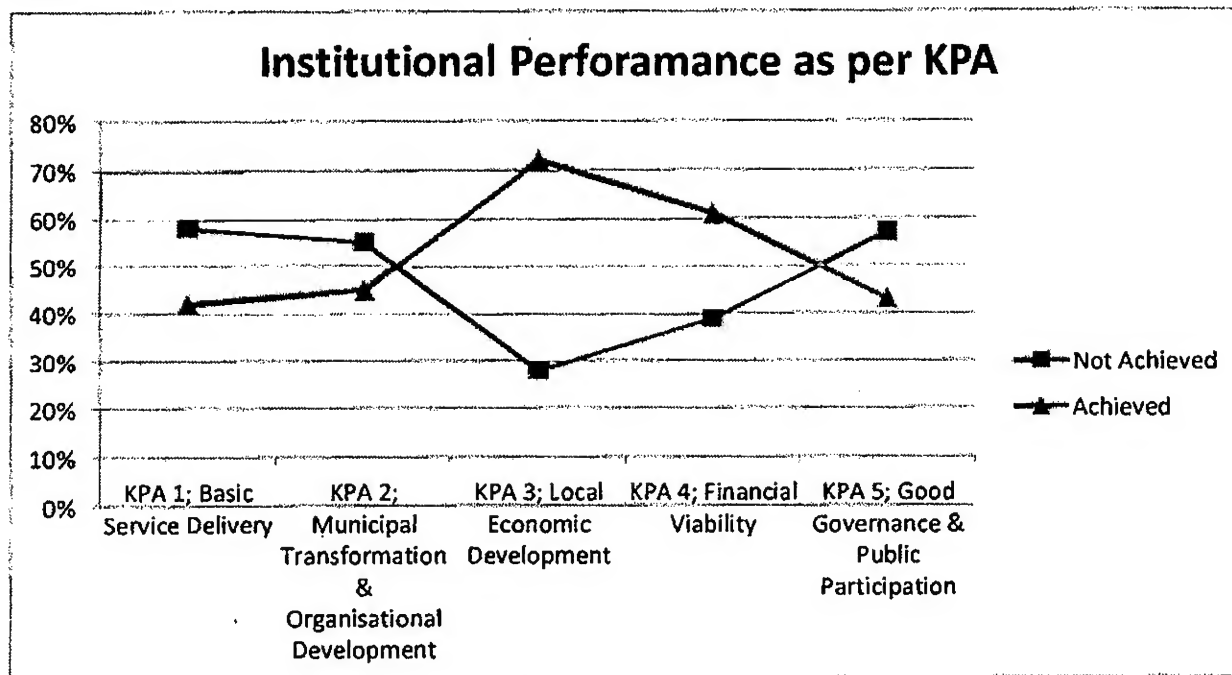
The only thing that was not carried out during the year under review was the quarterly assessments of the Managers directly accountable to the Municipal Manager. This issue was also identified by the Internal Audit during their in-year assessments of the performance information, and in responses by management to finding raised by internal audit is that, performance assessments will be carried out in the next financial year during the periodic times that are embedded on the performance agreements of each s56 manager.

SECTION 2

2013/ 2014 Organisational Performance Results

2013/14 INSTITUTIONAL PERFORMANCE

Section 46 (1) (b) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) commands that at the end of each financial year, a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year in contrast with the year under review.



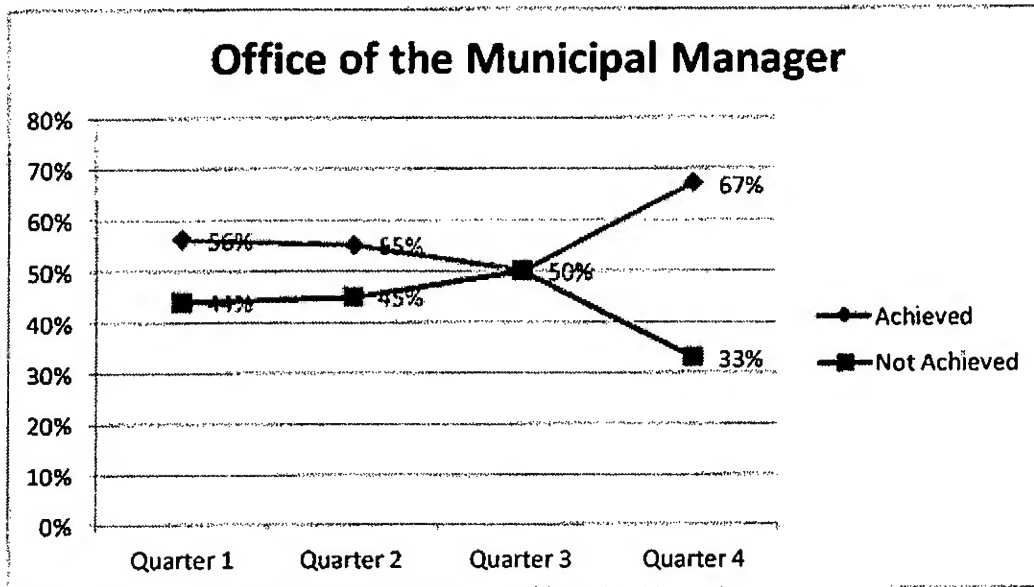
For the 2013/2014 financial year, Nkonkobe Local Municipality set itself targets which seek to ensure realisation of a broader vision and mission of the Municipality. In relation to this, various objectives were identified with specific measurable performance indicators and targets clustered together in terms of the five (5) key performance areas of Local Government for implementation during this financial year. From the table illustrated on slide 3, KPA 3 (Local Economic Development) is one KPA within the institution that is performing extremely well. It is followed by Financial Viability and Municipal Transformation and Organisation Development. Basic Service Delivery and Good Governance and Public Participation are still below the 50% mark. The overall performance for the Municipality during the 2013/ 2014 financial year was sitting at 49%.

Section 3

OVERALL PERFORMANCE OF MUNICIPAL DEPARTMENTS ON THE IMPLEMENTATION OF THE SDBIP 2014/15

DEPARTMENTAL PERFORMANCE RESULTS 2014/15

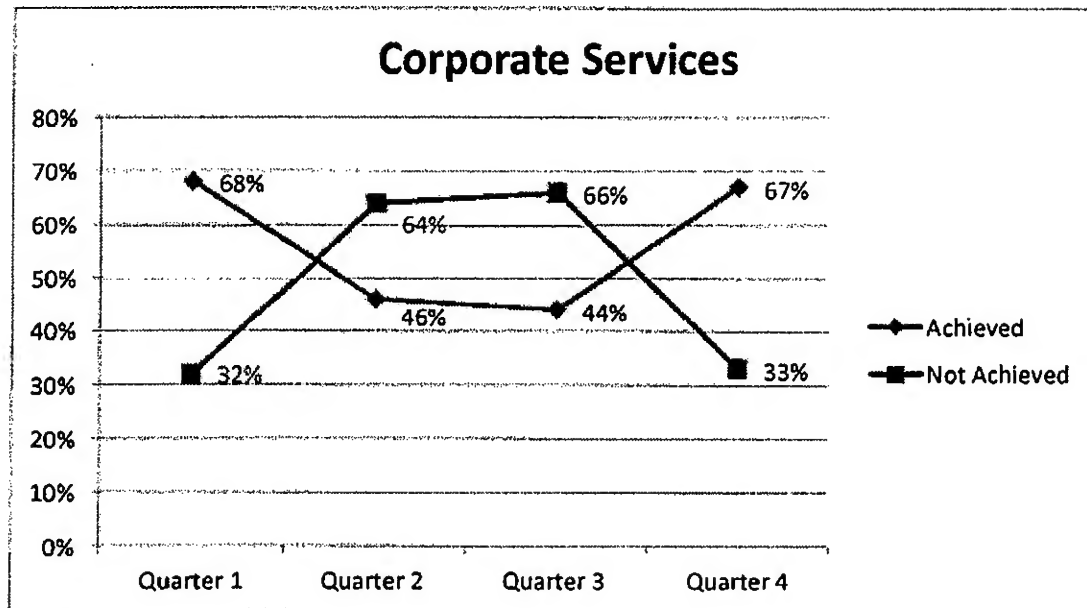
2.1 OFFICE OF THE MUNICIPAL MANAGER



The Office of the Municipal Manager is responsible for ensuring the municipality delivers services to the local community in a sustainable and efficient manner. As the Accounting Officer of the Municipality, the Municipal Manager is responsible for planning and implementation of an economical, efficient and accountable administration of the Municipality. The roles of the Municipal Manager are outlined in Municipal Systems Act 32 of 2000

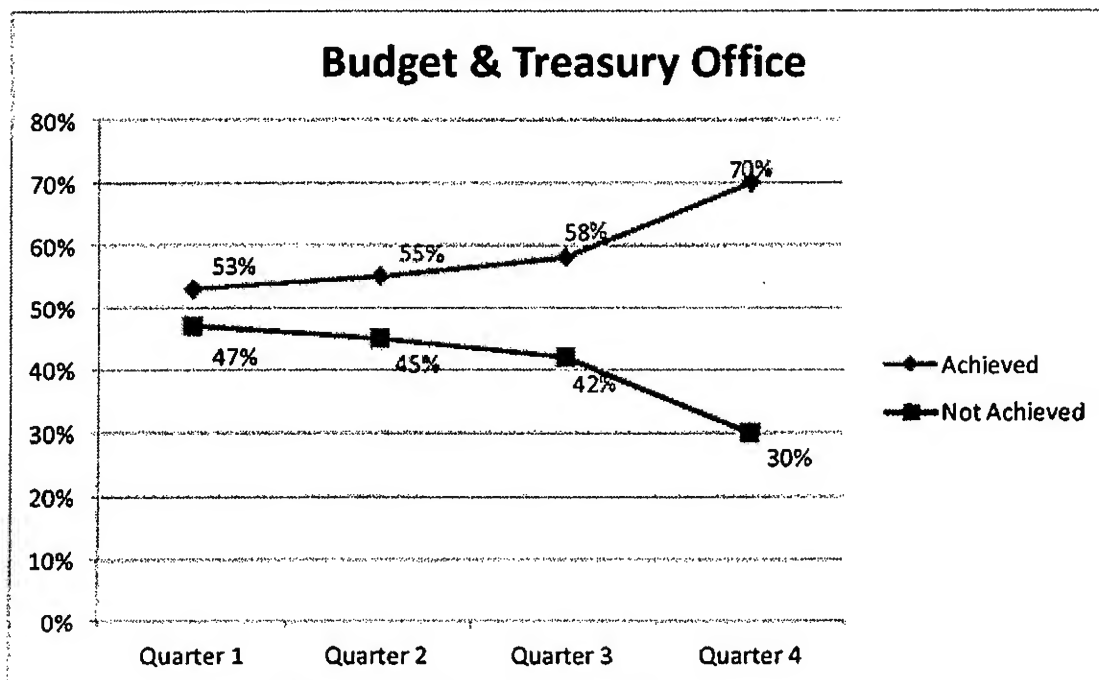
As the above graph illustrates, during the first quarter, the office of the municipal manager's performance was sitting at 56%; however, there was a slight setback in the second quarter. The third quarter saw the Office of the Municipal Manager at an equilibrium performance, whereas 50% of the set targets were achieved and the other half not achieved. During the last quarter of the financial year, the department's performance was on 67%

2.2 CORPORATE SERVICES DEPARTMENT



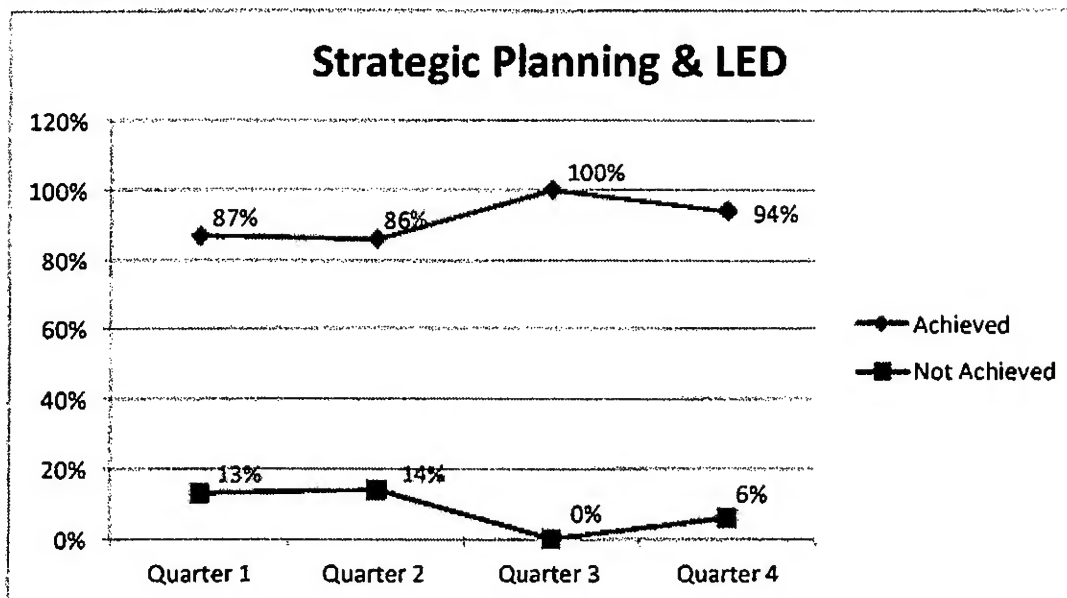
Corporate Services department plays a supporting role to all departments within the municipality. It assists the Office of the Municipal Manager in coordinating Council programmes, and is also entrusted with the role of coordinating the welfare of employees of Nkonkobe. For the period under review, the Department of Corporate Services achieved 39% of the set Annual Targets - and the enclosed scorecard discloses compelling reasons as to why some of the key performance indicators were not met. Key amongst relate to the issue of financial constraints – and the austerity measures that were implemented by the municipality at the commencement of the financial year and in the middle of the midyear mark. For the 4th quarter, the department's performance was satisfactory, attaining 67% of the set targets.

2.3 BUDGET AND TREASURY DEPARTMENT



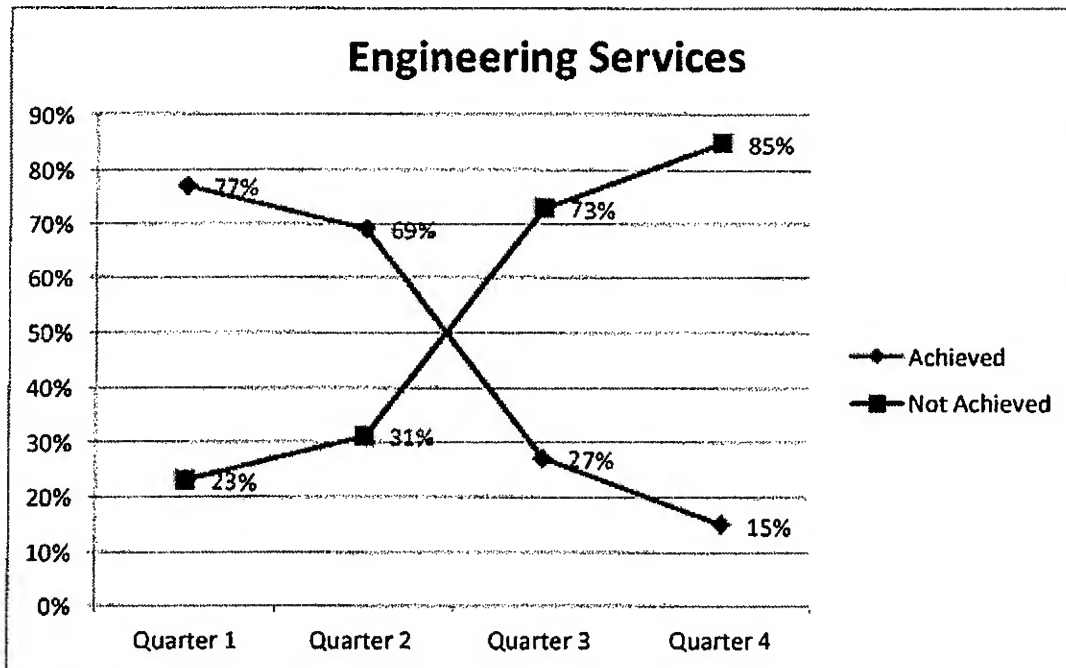
The Budget and Treasury department plays a supporting function to other departments within the institution. It is not a service delivery orientated department – however it plays a pivotal function in Nkonkobe Municipality and also ensuring that the municipality becomes self-sufficient and continues to meet the needs [and expectations] of the rate payers. The table above demonstrates that the department has been performing satisfactory, although throughout the quarter, the departmental performance was picking up, until for the 4th quarter it managed to achieved 70% of the set targets.

2.4 STRATEGIC PLANNING AND LOCAL ECONOMIC DEVELOPMENT



The Strategic Planning and Local Economic Development department consist of the following units, Social Needs (Libraries, Special Programmes Unit, Sports and Recreations), Local Economic Development (Agriculture, Tourism, and Enterprise Development) and Integrated Development Planning and Performance Management. This department plays a twofold functionary, that of being a supporting department within the institution, and also, having service delivery orientated function. In terms of Strategic Planning and Local Economic Development, set itself 32 key performance indicators for the year, and the department managed to achieve 31 targets whilst 1 indicator was not met. The departments overall performance for the quarter, slightly regressed to 94% in comparison with its performance in the 3rd quarter whereas the department achieved all targets that were set.

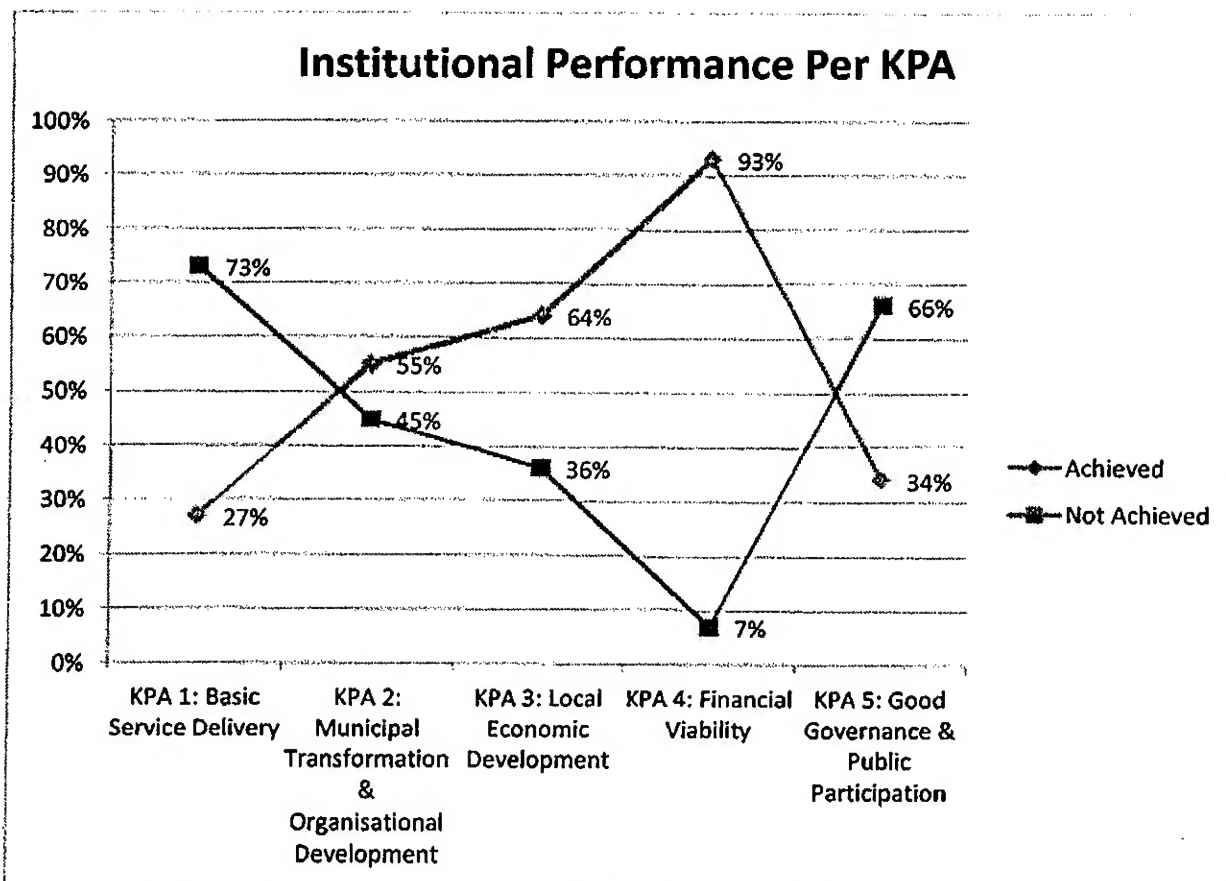
2.5 ENGINEERING SERVICES DEPARTMENT



The departments overall performance for the 2014/ 2015 financial year was at 15%. Engineering Service performance diminished in the during the second half of the financial year, primarily reason being the lethargic pace on the completion of infrastructure projects due budget constraints, and non - performance of service providers with regard to delivering materials timeously. However, incomplete projects will be carried over to the 2015/ 16 financial year and a request has been communicated with the Budget and Treasury Office [SCM] to administer strict control, monitoring and evaluation of Service Providers' performance.

Section 4

OVERALL PERFORMANCE SUMMARY OF THE MUNICIPALITY AND ENTITY [NEDA] ON THE IMPLEMENTATION OF THE SDBIP 2014/15



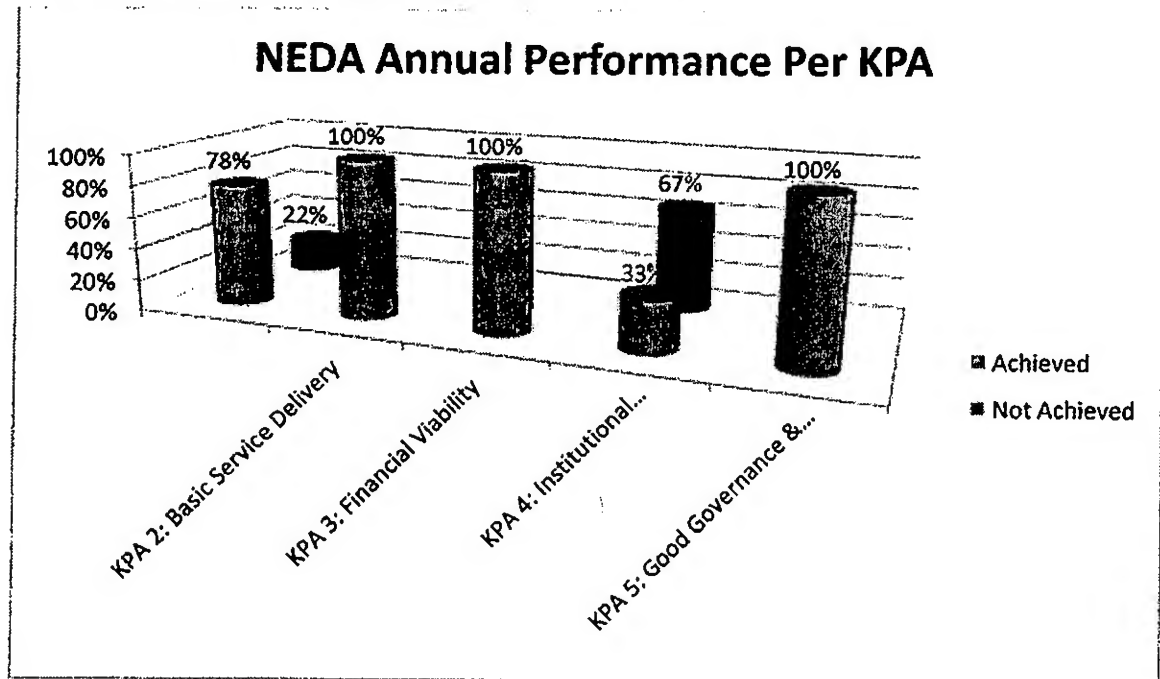
For the 2014/ 2015 financial year, Nkonkobe Local Municipality set itself 144 predetermined objectives. Of the 144, the Municipality managed to achieve 75, whilst 69 were not met due to compelling reasons stated on the Annual Performance Report. The overall performance for the institution is sitting at 52% as at year end.

In abridgement to the graph on slide;

- Financial Viability KPA performed incredibly as at year end, attaining 93% of the set indicators.
- KPA 2 and KPA 3 performed fairly satisfactory, as most indicators were Policies awaiting Council approval. A Council meeting is scheduled in the first quarter of the 2015/ 2016 financial year to adopted the reviewed policies.
- KPA 1 and KPA 5 performance declined in the last lap of the financial year, primary reason being the lethargic pace on the completion of infrastructure projects due budget constraints, and non - performance of service providers with regard to delivering materials timeously.

In conclusion, in comparison to the 2013/ 14 FY, there has been a slight performance improvement, whereas the municipality managed to achieve 49% as at year end [2013/ 14]. The 2014/ 2015 financial year saw a 3% improvement; however reasons for variances have been identified and remedial actions that will execute strategies of performance improvement.

2.6 NKKONKOBK ECONOMIC DKKVKPMENT AGENCY



Nkonkobe Economic Development Agency is an economic agency of Nkonkobe Local Municipality, the agency is primarily focused on initiatives in the agricultural sectors, as the bulk of economic activity in the region is aligned in that sector. These initiatives include the processing of primary products into forms suitable for consumer use. This value-add processing is strategically important and critical for the region so it can plug economic leaks. The local Economic Development unit of the Municipality mainly focuses on soft impact projects and other programmes relating to food security, the agency's primary aim is to focus on implementing catalytic projects that will in turn, have positive spin-off to the local economy. In the annual review, NEDA had 21 predetermined objectives on their institutional scorecard; they managed to deliver outstanding results of 81% overall. The entity delivered positive results in all five (5) key performance areas, having marked 33% as their lowest scoring and achieving all targets in respect of 3 KPA's

Annexure A –

-
- Detailed Institutional Scorecard for the 2014/ 2015 Financial Year
 - Actual performance for the 4TH quarter as reported against the approved SDBIP
-



| OFFICE OF THE MUNICIPAL MANAGER | | | | | | | | | | | | | | | | | | | |
|--|---|--|--|--------------------|--------------|--|---|---|--|--------------------------|--------------------|--|--|-----------------|-------------------------------------|---------------------|-------------------|-------------------|-------------------|
| Priority Area | IDP OBJECTIVE | IDP STRATEGY | KPI | Budget | Amount Used | Baseline | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Targets not met during the Financial Year | Reasons for variances | Remedial Action | Snapshots Analysis on Annual Target | Indicator Custodian | | | |
| KPA 1: BASIC SERVICE DELIVERY | | | | | | | | | | | | | | | | | | | |
| Unemployment | To reduce unemployment by 750 by 2017 | By creating temporary jobs through LED initiatives and Capital Projects | Monitor creation of 150 temporary jobs and 10 permanent jobs created through LED initiatives and capital projects. | | | | Overnight and monitoring on creation of 150 temporary jobs through LED initiatives and capital projects | Achieved | | | Achieved | | | | | 👉 | Municipal Manager | | |
| | | | Overnight over submission of 1 application for community rental unit with Human Settlements Department | R 1 050 000 | R 186,232.64 | Monitor submission of 1 application for community rental unit with Human Settlements Department | Achieved | Not set as a target for the quarter | | | | | | | | | 👉 | Municipal Manager | |
| | | | Facilitating provision of community rental units with Human Settlements Department | | | | | | | | | | | | | | | | |
| | | | Facilitating provision of new house and reclamation of dilapidated houses by 2017 | No Budget Required | | | | | Overnight and monitoring that the indigent register is 100% updated | Achieved | | | | | | | | 👉 | Municipal Manager |
| KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | | | | | | | | |
| IDP and PMS | To ensure effective performance monitoring and evaluation of municipal plans and programmes by 2017 | By development of performance management, monitoring and evaluation system | Develop a 2 report to be presented to Mayor by January, 2015 | | | | 657 report developed and presented to Mayor by January, 25, 2015. | Achieved | Not set as a target for the quarter | | | | | | | 👉 | Municipal Manager | | |
| | | | Overnight over application of PMS as per PMS Policy 657 Managers scorecards and agreements signed | No Budget Required | | PMS agreements entered into with 657 and ensure submission to DLGTA for compliance in July 2014. | Achieved | Not set as a target for the quarter | | | | | | | | 👉 | Municipal Manager | | |
| | | | Convene 4 quarterly reviews for 657 Managers | No Budget Required | | Convene 4 quarterly reviews for 657 Managers | Not Achieved | Convene 1 informal review for 657 Managers for 1st quarter. Convene 1 formal reviews for 2012/13 FY for 657 Managers. | 1. Attendance Register. 2. Report on the reviews conducted reflecting each manager | Not Achieved | Not Achieved | There were no formal assessments done in the year under review. However, informal reviews of Senior Manager performances take place during management meetings | To get Council by in on budget being set aside for rewarding outstanding performance. And to engage Mayor to set up committees that will evaluate performance of Senior Managers in 2015/16 FY | 👉 | Municipal Manager | | | | |

[illegible]

| NPA 4: FINANCIAL VIABILITY | | | | | | | |
|----------------------------|---|--|-----------------------------|---|----------|-------------------------------------|-------------------|
| Financial Management | To ensure timely financial reporting and compliance with legislation and treasury regulations by 2017 | Assets in terms of s16 (5) MFMA By developing and maintaining of compliance checklist | | Annual Financial Statements Compiled/Council approval and submitted to AG by August 31, 2013. | Achieved | Not set as a target for the quarter | Municipal Manager |
| Asset Management | To ensure effective management of Municipal Assets by 2017 | Monitor disposal of municipal assets By annually identifying and assessing assets for disposal | R1 986 000 R1 378 185.45 | Disposal of obsolete Assets in terms of s16 (5) MFMA | Achieved | Not set as a target for the quarter | Municipal Manager |
| Supply Chain Management | To ensure effective implementation of SCM policy and regulations by 2017 | 1 Bid Reports to the Municipal Manager are completed within 60 days of notice reporting on tender processes/disclosed To ensure effective implementation of SCM policy and regulations by 2017 | No Budget Required | Overnight over tender processes/duplicated are completed within 30 days of notice given / Monitor x4 quarterly bid reports submitted to the Municipal Manager | Achieved | 1 Quarterly Bid Reports | Municipal Manager |

| NPA 4: FINANCIAL VIABILITY | | | | | | | | | | | | | | | |
|----------------------------|---|--|--|--------------------|---------------|--|----------|---|-------------------------|----------|--|---|--|--|-------------------|
| Financial Management | To ensure timely financial reporting and compliance with legislation and treasury regulations by 2017 | Assets in terms of s16 (5) MFAA By developing and maintaining compliance checklist | Monitor disposal of municipal assets | R1 986 000 | R1 378 185.45 | Annual Financial Statements compiled/Council approval and submitted to AG by August 31, 2013. | Achieved | Not set as a target for the quarter | | | | | | | Municipal Manager |
| Asset Management | To ensure effective management of Municipal Assets by 2017 | By complying with Disposal of Assets in terms of s16 (5) MFAA By annually identifying and assessing assets for disposal | Monitor disposal of municipal assets | No Budget Required | | Disposal of obsolete Assets in terms of s16 (5) MFAA | Achieved | Not set as a target for the quarter | | | | Assets were auctioned in the 3rd quarter, however, the disposal process was initiated with management rather than Council | Formalise the auction process with Council | | Municipal Manager |
| Supply Chain Management | To ensure effective implementation of SCM policy and regulations by 2017 | By complying with procurement standards Reporting on tender processes/decisions completed within 60 days of notice | 4 Bid Reports to the Municipal Manager | No Budget Required | | Oversight over tender processes/decisions are completed within 30 days of notice given / Monitor x4 quarterly bid reports submitted to the Municipal Manager | Achieved | Oversight over tender processes/decisions are completed within 30 days of notice given / Monitor 1 quarterly bid reports submitted to the Municipal Manager | 1 Quarterly Bid Reports | Achieved | | | | | Municipal Manager |

KIPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | |
|---|---|---|--------------------|--|--|--------------|--|--|--------------|-------------------|
| Meetings | To promote effective and inspiring governance and the efficiency of the department/improved standards of communication, transparency and openness by 2017 | 13 Number of meetings to be convened | No Budget Required | | Convene and chair Attendance at 11 monthly meetings has scheduled for 657 Managers | Achieved | Convene and chair attendance at 3 monthly meetings with 657 Managers | 1. Attendance Register of the meeting. | Achieved | Municipal Manager |
| | | 55 Standing Committee Meetings | No Budget Required | | Overnight of all 657 Manager attendance at Standing Committee Meetings as scheduled. | Achieved | Overnight of all 657 Manager attendance at Standing Committee Meetings as scheduled. | 1. Attendance Register. | Achieved | Municipal Manager |
| | | 4 Ordinary Council Meetings and Special Council Meetings | No Budget Required | | Convene 4 Ordinary Council Meetings and Special Council Meetings | Achieved | Organise 4 Ordinary Council Meeting and Special Council Meeting | 1. Copy of Advertisement in a Local Newspaper or Notice Board. 2. Minutes of the Ordinary/Special Council Meeting. 3. Attendance Register. | Achieved | Municipal Manager |
| | | 4 Number of Audit Committee Meetings to be convened | No Budget Required | | Convene 4 Audit Committee Meetings | Not Achieved | Convene 1 Audit Committee Meeting | 1. Attendance Register. 2. Minutes of the Meeting. | Not Achieved | Municipal Manager |
| | | 4 Number of Audit Performance Committee Meetings to be convened | No Budget Required | | Convene 4 Audit Performance Committee Meetings | Not Achieved | Convene 1 Audit Performance Committee Meeting | 1. Attendance Register. 2. Minutes of the Meeting. | Not Achieved | Municipal Manager |
| | | 12 Internal Audit Assignments | No Budget Required | | 12 Internal Audit Assignments | Not Achieved | Developed 3 Internal Audit Assignments | 1. 3 Internal Audit Assignments approved by the Audit Committee | Achieved | Municipal Manager |
| | | 1 Approved Risk Register | No Budget Required | | Updated Risk Register | Not Achieved | Updated Risk Register for Finance Department. | 1. Updated Risk Register for Department. 2. Minutes of Meeting with Department. 3. Attendance Register | Achieved | Municipal Manager |

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| CORPORATE SERVICES | | | | | | | | | | | | | | | | |
|--------------------|---|---|---|-------------|----------|---|---|--|--|---|---|--|---|--|-----------------------------------|-----------------------------------|
| Priority Area | IDP STRATEGY | KPI | Budget | Amount Used | Baseline | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Targets met/not during the Financial Year | Reasons for variances | Remedial Action | Ex-Post Analysis on Annual Target | Indicator/Custodian | |
| Law Enforcement | To ensure effective law enforcement by 2017 | By promoting effective and inspiring governance | Conducting 30 roadblocks | | | Conduct 30 roadblocks/report on number of roadblocks | Annual Target Exceeded: 40 roadblocks were conducted | Conduct 5 Roadblocks/report on number of roadblocks | 1. Detailed Report on Roadblocks Conducted 2. Register (incorporating car registration and drive times) 3. Report on any fines issued. | Target Exceeded: 12 Roadblocks were conducted | | | | | Senior Manager Corporate Services | |
| | | | 15 planned road signs maintained and report on road markings/maintained | | | 15 planned road signs maintained/road markings and lines maintained | Actualized | 5 planned road signs maintained/road markings and lines maintained | Actualized | 1. Expenditure Reports 2. Pictures 3. Monthly and quarterly reports. | Actualized | | | | | Senior Manager Corporate Services |
| | | | No Budget Requested | | | | | | | | | | | | | |
| Capacity Building | To ensure development skills of the municipal workforce in order to enhance productivity and competitiveness in the workplace by 2017 | By conducting skills audit and develop a work place skills plan | 20 Ctrs. 8 Traditional Leaders, 75 employees and 42 Ward Committees | R1 200 000 | | 20 Ctrs. 8 Traditional Leaders and 75 employees and 42 Ward Committees | Not Achieved | 35 Employees trained on various skills programmes | 1. Expenditure Reports 2. Attendance Registers. | Not Achieved | Not Achieved | The target could not be met due to budget constraints. | To source training funding from other individuals like Treasury, ADM and LGSETA in 2015/16 FY | | Senior Manager Corporate Services | |
| | | | 2 Policy Induction Workshops to be held | | | 2 Policy Induction Workshop | Not Achieved: 1 Policy induction workshop was conducted | Conduct 1 Policy Induction workshop | 1. Expenditure Reports 2. Attendance Registers | Actualized: A policy induction workshop was convened June 17-19, 2015 | Not Achieved | Not Achieved | There was a delay in policy revision process which impacted in the reduction | Roll over the target to the new financial year as the first quarter of the current FY. The department will ensure that the programme commences early in new FY | | Senior Manager Corporate Services |
| | | | No Budget Required | | | | | | | | | | | | | |
| Leave Management | To ensure improved leave management by 2017 | By implementing the pay day leave management system | Installation and utilization of the new payroll leave management system/Quarterly reports on implementation | R1 000 000 | | Installation and utilization of the new payroll leave management system/Quarterly reports on implementation | Actualized | Quarterly reports on implementation | 1. Quarterly reports on implementation of payroll leave management system | Actualized | | | | | Senior Manager Corporate Services | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |

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| BUDGET AND TREASURY SERVICES | | | | | | | | | | | | | |
|--|--|--|--|--|--------------------|---|--|--------------------|---|---|---|------------------------------------|-------------------------|
| Priority Area | IDP OBJECTIVE | IDP STRATEGY | KPI | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Targets not met during the Financial Year | Reasons for variances | Remedial Action | Snapshot Analysis on Annual Target | Indicator Custodian |
| Free Basic Services | To ensure all indigent households within Khayelitsha area are registered for free | By developing and updating the indigent Register | Updated Indigent Register | 100% Monthly updated Indigent Register | Achieved | 100% Monthly updated Indigent Register | 1. Updated Indigent Register. 2. Quarterly Reports. 3. Indigent Application Letters. | Achieved | | | | 👍 | Chief Financial Officer |
| | To ensure sound and effective management systems by 2017 | By compliance with prescribed legislative framework and accounting standard (legislative requirements of MFRM) by performing monthly reconciliation & payment of creditors within 30 days of the receipt of the invoice. | By monthly reconciliation & payment of creditors within 30 days (reporting to Standing Committee and Council quarterly). | Reconciliation & payment of creditors within 30 days | Not Achieved | Reconciliation & payment of creditors within 30 days | 1. Procedure Manual. 2. Proof of payments made. 3. Quarterly Reports. 4. Item to Council and Resolution. | Not Achieved | | Procedure manual was adopted by management, its not mandatory for the procedure manual to be tabled to Council therefore the Finance department request amendment of the target for the next financial year | Request to amend the target in the next financial year | 👍 | Chief Financial Officer |
| | To ensure a self-sustained municipality through effective revenue collection by 2017 | By developing, reviewing and financial performance and municipal revenue base by ensuring | 90% of revenue collection | 90% of revenue collected | Not Achieved | 90% of revenue collected | 1. Revenue Enhancement Strategy. 2. Quarterly Report reflecting on improved levels of collections. 3. Schedule of collection BP142 | Not Achieved | | Revenue enhancement strategy is still at draft phase | The revenue enhancement strategy was tabled on the policy induction workshop in April. An ordinary council meeting will be convened in the 2015/16 FY to adopt the strategy | 👍 | Chief Financial Officer |
| | To ensure a self-sustained municipality through effective revenue collection by 2017 | By ensuring the Consumer accounts are processed / Consumer accounts are 98% accurate and delivered timely. | Consumer Accounts are processed / Consumer accounts are 100% accurate and delivered monthly & accurately | Achieved | Achieved | Processing of Consumer Accounts/Ensure that they are 100% accurate and delivered monthly & accurately | 1. Monthly Reports. 2. Proof of monthly delivery of Consumer accounts. | Achieved | | | | | 👍 |
| KPA 1: BASIC SERVICE DELIVERY | | | | | | | | | | | | | |
| KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | | |

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|-------------------------|---|--|---|---------------------|--|----------|-------------------------------------|-------------------------------------|-------------------------|
| Supply Chain Management | To ensure effective implementation of SCM policy and regulations by 2017. | By complying with prescribed legislative framework and accounting standards. Reporting on tender processes/adjudicated are completed within 60 days of | 4 Bid Reports to the Municipal Manager | Not Budget Required | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| SME and Cooperatives | To support and promote SME and Cooperative development by 2017 | By complying with Chapter 11 of MFMA by annually inviting prospective providers of goods and services to | 11 Updated SCM database | Not Budget Required | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| Financial Management | To ensure timorous financial reporting and compliance with legislative and treasury regulations by 2017 | By development of procurement plan checklist | Developed Procurement Plan | Not Budget Required | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| TOP and PMS | To ensure effective performance monitoring and evaluation of municipal plans and programmes by 2017 | By development of performance management, monitoring and evaluation system | Submitting 12 e21 reports are submitted to NT by 10th wedding day | Not Budget Required | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| | | | 12 e21 reports are submitted monthly to NT by not later than the 10th working day | Achieved | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| | | | Submission of 13 e21 reports to NT by not later than the 10th working day | Achieved | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
| | | | 1. e21 Reports, 2. Written proof that the reports were submitted and received. | Achieved | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | Achieved | Not set as a target for the quarter | Not set as a target for the quarter | Chief Financial Officer |
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| | | | | | Develop a e22 report to be presented by Accounting Officer to Mayor by January 25, 2014 and subsequently table it to Council | | | | Chief Financial |

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| KPA 3: LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | |
|--|---|---|---|--|---|--|---|--|--|---|
| Tourism | To promote Nkonkobe as a leading Tourism destination in the Amathole region by 2017 | 4 Local Tourism Organisation Meeting | 4 LTO Meetings Convene | Achieved | Convene 1 LTO meeting | 1. Attendance Register 2. Minutes of the meeting | Achieved: LTO meeting was convened on June 18, 2015 | | | Senior Manager Strategic Planning and LED |
| | | Submit application for funding to ADM and DEAT for development of Tourism Master Plan | Submit application for funding for development of Tourism Master Plan | Achieved | Not set as a target for the quarter | | | | | Senior Manager Strategic Planning and LED |
| | | 4 Tourism Products Developed | 4 Tourism Products | Achieved | Development of 1 Tourism Product | 1. Expenditure Reports, 2. Report on the Tourism Product Developed | Achieved: 2 tourism products were developed during the 4th quarter | | | Senior Manager Strategic Planning and LED |
| | | 5 Cooperatives/SMEs and aspiring business formalised | 5 formalised | Annual Target Exceeded: 62 companies and Cooperatives and SMEs were formalised | Formalise 1 emerging and aspiring business | 1. Copy of the registration certificates | Target Exceeded: 24 companies and 2 Cooperatives were registered. As evidence a Statement of Transaction is submitted quarter by the Municipal Entity: NEDA | | | Senior Manager Strategic Planning and LED |
| | | 2 Capacity Building Programmes | 2 Capacity building programmes for SMEs and Cooperatives | Annual Target Exceeded: 6 Capacity building programmes for local Coops were facilitated by Nkonkobe Local Municipality in collaboration with Rural Development and Agrarian Reform and Mpofu | 1 Capacity Building programme for SMEs and Cooperatives | 1. Attendance Register 2. Report on Capacity building programmes provided. | Target Exceeded: 5 Capacity building programmes for local Coops were facilitated by Nkonkobe Local Municipality in collaboration with Rural Development and Agrarian Reform and Mpofu | | | Senior Manager Strategic Planning and LED |
| | | Updated Database | Updated Database | Achieved | Quarterly update of database in SMEs and Cooperatives | 1. Updated Database and report on SMEs and Cooperatives added. | Achieved | | | Senior Manager Strategic Planning and LED |
| By managing SME and Cooperative Database | | Database updated | | | | | | | | |
| By facilitating capacity building programmes for SMEs and Cooperatives | | 2 trainings conducted | | | | | | | | |
| By formalising, emerging and aspiring SMEs | | 5 formalised | | | | | | | | |
| By facilitating the development of tourism products and package | | 4 Tourism Products | | | | | | | | |
| By developing tourism master plan | | Submit application for funding to ADM and DEAT for development of Tourism Master Plan | | | | | | | | |
| By strengthening Local Tourism Organisation | | 4 Local Tourism Organisation Meeting | | | | | | | | |
| | | No Budget Required | | | | | | | | |
| | | R39 640.89 | | | | | | | | |
| | | No Budget Required | | | | | | | | |

ment by 2017

| | | | | | | | | | | | |
|---|--|--|--|--|--|---|---|--|--|--|---|
| SMME and Cooperative Development | By applying for funding for Business Retention and Expansion Strategy | 4 SMME's Cooperatives with Business Plans for funding | 4 SMME's Cooperatives with Business Plans for funding | Assist 1 SMME's Cooperative with Business Plan for Funding | 1. Name of SMME/Cooperative s. 2. Business Plan | Achieved: The municipality developed and submitted a business plan for Mithunzi Brick and Agricultural Projects LTD | | | | | Senior Manager Strategic Planning and LED |
| SMME and Cooperative Development | By facilitating access to finance by SMMEs and Cooperatives | 4 SMME's Cooperatives with Business Plans for funding | 4 SMME's Cooperatives with Business Plans for funding | Achieved: 4 Cooperatives and SMME's were assisted by the Municipality to develop and submit business plans | Assist 1 SMME's Cooperative with Business Plan for Funding | 1. Name of SMME/Cooperative s. 2. Business Plan | Achieved: The municipality developed and submitted a business plan for Mithunzi Brick and Agricultural Projects LTD | | | | Senior Manager Strategic Planning and LED |
| SMME and Cooperative Development | By applying for funding for Business Retention and Expansion Strategy | 1 application letter for Funding to Industrial Development Cooperation for SBRE Strategy | 1 application letter for Funding to Industrial Development Cooperation SBRE Strategy | Achieved | Not set as a target for the quarter | | | | | | Senior Manager Strategic Planning and LED |
| SMME and Cooperative Development | No Budget Required | No Budget Required | No Budget Required | No Budget Required | No Budget Required | | | | | | Senior Manager Strategic Planning and LED |
| KPA 4: FINANCIAL VIABILITY | | | | | | | | | | | |
| Effective Management of the departmental Assets by 2017 | To promote effective and inspiring governance and the efficiency of the department/improved standards of | 8 Departmental Budget Meetings to be Covered: Monthly reports on expenditure/Expense to be controlled with norms | 8 Departmental Budget Meetings | Achieved | Comene 2 Departmental Budget meetings/Monthly reports on expenditure/Expense to be controlled with norms | 1. Attendance Register. 2. Minutes of departmental budget meetings (inclusive of departmental meetings) | Achieved | | | | Senior Manager Strategic Planning and LED |
| Effective Management of the departmental Assets by 2017 | By managing, controlling and maintaining all departmental assets (MFMA Compliance) | Updated Asset Register of the Department | 8 Departmental Meetings convened | Achieved | Report on management of departmental assets | 1. Quarterly Reports detailing management of departmental assets. 2. List of new assets that were bar coded. | Achieved | | | | Senior Manager Strategic Planning and LED |
| Effective Management of the departmental Assets by 2017 | By managing, controlling and maintaining all departmental assets (MFMA Compliance) | Updated Asset Register of the Department | 8 Departmental Meetings convened | Achieved | Report on management of departmental assets | 1. Quarterly Reports detailing management of departmental assets. 2. List of new assets that were bar coded. | Achieved | | | | Senior Manager Strategic Planning and LED |
| Effective Management of the departmental Assets by 2017 | By managing, controlling and maintaining all departmental assets (MFMA Compliance) | Updated Asset Register of the Department | 8 Departmental Meetings convened | Achieved | Report on management of departmental assets | 1. Quarterly Reports detailing management of departmental assets. 2. List of new assets that were bar coded. | Achieved | | | | Senior Manager Strategic Planning and LED |
| Effective Management of the departmental Assets by 2017 | By managing, controlling and maintaining all departmental assets (MFMA Compliance) | Updated Asset Register of the Department | 8 Departmental Meetings convened | Achieved | Report on management of departmental assets | 1. Quarterly Reports detailing management of departmental assets. 2. List of new assets that were bar coded. | Achieved | | | | Senior Manager Strategic Planning and LED |

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| | | | | | | | | | | |
|------------------|--|--|--|-------------|--------------|------------------------------|--|---|-------------------------------------|---|
| Youth | To ensure development and mainstreaming of designated groups into the main economy of the municipality by 2017 | | | | | | | | | |
| | To ensure promotion of traditional and Ubuntu Culture by 2017 | | | | | | | | | |
| Arts and Culture | By conducting community builder of the year awards | By conducting Miss Nkonkobe Beauty Pageant | 1 Miss Nkonkobe Beauty Pageant | R 1,050,000 | R 1,025,485 | Miss Nkonkobe Beauty Pageant | Conduct 1 Miss Nkonkobe Beauty Pageant | <u>Achieved</u> | Not set as a target for the quarter | Senior Manager Strategic Planning and LED |
| | By conducting the year awards | By conducting Back to school awareness programme | 1 Back to school awareness programme | R 1,050,000 | R 1,025,485 | Back to school held | Conduct 1 back to school awareness programme | <u>Achieved</u> | Not set as a target for the quarter | Senior Manager Strategic Planning and LED |
| | By facilitating arts and culture activities | By developing SLA with provincial and national departments in Nkonkobe | 1 Signed SLA | Required | New | New | Enter into SLA with 1 potential partner (Provincial/National Department) in Nkonkobe | <u>Achieved</u> ; The Municipality entered into a SLA with SASSA in the 3rd quarter | | Senior Manager Strategic Planning and LED |
| | | | 1 Cultural Week Conducted | R 896,960 | R 527,830.90 | Cultural Week held | Conducting 1 Cultural Week Activity | <u>Achieved</u> | Not set as a target for the quarter | Senior Manager Strategic Planning and LED |
| | | | 1 Community builder of the year awards | R 200 000 | | Awards not held | Conduct 1 community builder of the year awards | <u>Achieved</u> | Not set as a target for the quarter | Senior Manager Strategic Planning and LED |

| Priority Area | ICP OBJECTIVE | ICP STRATEGY | ICP | Budget | Amount Used | Budget | Actual Target | Annual Performance | Quarter 4 Target | Quarter 4 Actual Evidence | Actual Performance | Targets met and during the Financial Year | Reasons for variances | Remedial Action | Suspicious Analysis on Annual Target | Indicator/Criterion |
|----------------------|-------------------------------|--|---|----------------|----------------|----------------|--|---|---|---|---|---|--|---|--------------------------------------|-------------------------------------|
| Engineering Services | KPA 1: BASIC SERVICE DELIVERY | Paving and Grouting in Group 5 to Cape College (Phase 2) | Paving and Grouting in Group 5 to Cape College (Phase 2) | R 2 205 945 00 | R 1 619 291 36 | R 1 619 291 36 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of Service Provider performance | 🔍 | Senior Manager Engineering Services |
| | | | Paving in Gqeberha (Phase 2) | R 2 205 945 00 | R 1 619 291 36 | R 1 619 291 36 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of Service Provider performance | 🔍 | Senior Manager Engineering Services |
| | | | Paving in Ntshembu (Phase 2) | R 1 800 000 | R 15 320 34 | R 15 320 34 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of Service Provider performance | 🔍 | Senior Manager Engineering Services |
| | | | Paving and Grouting in Group 5 to Cape College (Phase 2) | R 1 500 000 | R 0 00 | R 0 00 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of Service Provider performance | 🔍 | Senior Manager Engineering Services |
| | | | Paving in Golf Course (Phase 2) | R 1 707 563 | R 0 00 | R 0 00 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of Service Provider performance | 🔍 | Senior Manager Engineering Services |
| | | | Sourcing of professional services for paving of Somerset Street and Jockunda Street (Phase 1) | R 1 234 525 16 | R 0 00 | R 0 00 | 2km | Not Achieved | Not paved road | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificates 5 Happy Letters | Not Achieved | Not Achieved | There has been a delay in the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials timely | Contract letting has been done for 500m and 150 000 paving bricks have been purchased and service provider has been appointed and project will be completed in the 2015/16 financial year | 🔍 | Senior Manager Engineering Services |
| | | | Sourcing of professional services for paving of Hlalele (Phase 1) | R 1 707 563 00 | R 0 00 | R 0 00 | 2km | Not Achieved | Appointment of the Service Provider | 1. Appointment letter | Not Achieved | Not Achieved | An advert was deployed on local notice boards to seek interested service providers to bid, however no appointment has been made due to budget constraints | The appointment of a service provider will be conducted in the 2015/16 financial year | 🔍 | Senior Manager Engineering Services |
| | | | Sourcing of professional services for paving of Hlalele (Phase 1) | R 1 707 563 00 | R 0 00 | R 0 00 | 2km | Not Achieved | Appointment of the Service Provider | 1. Appointment letter | Not Achieved | Not Achieved | An advert was deployed on local notice boards to seek interested service providers to bid, however no appointment has been made due to budget constraints | The appointment of a service provider will be conducted in the 2015/16 financial year | 🔍 | Senior Manager Engineering Services |
| | | | Concrete Silt Inlet (Shwile) | R 1 400 000 00 | R 0 00 | R 0 00 | 500m | Achieved. The target was met in the 2nd quarter | Construction of Concrete Silt in Hlalele Shwile | 1. Completion Certificate 2. Happy Letters 3. Expenditure Reports | Achieved. The target was met in the 2nd quarter | | | | | Senior Manager Engineering Services |
| | | | Run of road to be repaved | R 1 000 000 00 | R 0 00 | R 0 00 | Start. Streets to be repaved (Hlalele/Hlalele) | Achieved. The target was met in the 2nd quarter | 1.5km | 1. Completion Certificate 2. Happy Letters | Achieved. The target was met in the 2nd quarter | | | | | Senior Manager Engineering Services |

| | | | | | | | | | |
|--|----------------------------------|--------------|--|---|--------------|--------------|--|--|---------------------------------------|
| Construction of Day Care Centre in Area 1 | Day Care Centre in Area 1 | Not Achieved | Day Care Centre in Area 1 completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of Day Care Centre (Ward 1) Zogodo | Day Care Centre in Zogodo | Not Achieved | Day Care Centre in Zogodo completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of Day Care Centre (Ward 11) | Day Care Centre in Ward 11 | Not Achieved | Day Care Centre in Ward 11 completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of a Day Care Centre (Ward 16) Luguseni | Day Care Centre in Luguseni | Not Achieved | Day Care Centre in Luguseni completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of a Day Care Centre (Ward 15) Nkhosha | Day Care Centre in Nkhosha | Not Achieved | Day Care Centre in Nkhosha completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of a Day Care Centre (Fort Beaufort) | Day Care Centre in Fort Beaufort | Not Achieved | Day Care Centre in Fort Beaufort completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of Sibi Community Hall - Phase 2 | Sibi Community Hall | Not Achieved | Sibi Community Hall completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |
| Construction of Tholen Community Hall - Phase 2 | Tholen Community Hall | Not Achieved | Tholen Community Hall completed | 1. Expenditure reports 2. Quarterly Reports 3. Pictures of work done 4. Completion Certificate, 3 Happy Letters | Not Achieved | Not Achieved | There has been a letter placed on the completion of infrastructure projects due to budget constraints, and non-performance of service providers with regard to delivering materials in-country | Incomplete projects will be carried over to the 2015/16 financial year and request SCM to administer strict control, monitoring and evaluation of service provider performance | Senior Manager - Engineering Services |

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Annexure B –

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- Nkonkobe Economic Development Agency actual performance for the 2014/ 2015 financial year
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| Ntontokobe Economic Development Agency | | | | | | | | | | | | | | | | | |
|---|---|---|---|--------------------|-------------|---|--|---|---|---|--|---|-----------------------|-----------------|------------------------------------|---------------------|-------------|
| Priority area | Strategic objective(s) | Strategy | KPI | Budget | Amount used | Baseline 2013/14 | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Targets not met during the Financial Year | Reasons for variances | Remedial Action | Snapshot Analysis on Annual Target | Indicator Custodian | |
| Agriculture, agro-processing and forestry | To enhance local participation in agriculture value chains by 2017 | By partnering with private sector and smallholder farmers in agro-forestry and agro-forestry | 3 investment partnerships in grain, (fresh) produce and livestock value chain | R 275,000 | R 275,000 | Signed MOU with ABR, planting with small scale farmers in grain and vegetables | 1 investment Partnership in vegetables value chain | Achieved: Investment partnership with I-Spaza through the partnership. | 2000 Kgs of vegetables sold through the partnership. | Photographs, financial reports | Achieved: 2000 kgs of vegetables sold through the partnership | | | | | | P Dongi |
| | | | Establish 1 mechanisation unit | R 275,000 | R 275,000 | Signed MOU with ABR, planting with small scale farmers in grain and vegetables | Decrease input costs (R800K for 5 previously disadvantaged citrus farmers by 5% out of a total R800K P/A | Achieved: Input costs decreased by 15% through an injection of R598 000 | Financial (expenditure) reports: Photographs | Achieved: Inputs purchased to the value of R598 000 (8% decrease for inputs to 5 previously disadvantaged farmers) | | | | | | | P Dongi |
| | | | Establish 1 rural market in the Ntontokobe area | R 250,000 | R 250,000 | Seed funding SLA with IDC, Purchasing of inputs (pesticides, fertilizer) for 5 farmers, Truck | 1 (one) agro processing facility established in Ntontokobe | Not Achieved: However packaging and marketing agreements and products were developed. | Photographs, financial reports | Achieved: Branded maize meal produced in partnership with EPWP, I-Spaza | | | | | | | P Dongi |
| | | | Facilitate the afforestation in Kolomani area of Ntontokobe. | R 50,000 | R 50,000 | Quarterly meetings in principle DRDAR not implemented | Facilitate afforestation in Kolomani | Achieved | Attendance registers, correspondence, progress reports | Achieved: Meeting of the ECDAFF and Kolomani Steering committee attended and visits made to the community of Kolomani | | | | | | | |
| Unlocking local investment | To facilitate private and public sector investments into Ntontokobe by 2017. | By facilitating the process to unlock the participation of Ntontokobe Communities and the private sector in the | Town and village neighbourhood development business plan for Ntontokobe | No budget required | R 50,000 | Meetings were held with EPWP staff | 1 town and village neighbourhood development implemented | Achieved | Implementation of 1 (one) EPWP project | EPWP reports | Achieved: EPWP project implemented on behalf of the municipality and Department of Public Works at the Alice Gateway (52 job opportunities created). | | | | | P Dongi | |
| | | | 1 mixed use development plan | R 400,000 | R 400,000 | Business plan developed for NEDA | Funding for a mixed use development secured | Achieved: Human settlements department was committed funding for a study as well as private sector investor | Expression of interest advert for partnership | Achieved: Expression of Interest Advert placed in the Daily Dispatch | | | | | | | Khanya Jili |
| Across Ntontokobe by 2017. | By establishing new enterprises and supporting existing properties in the urban nodes of Ntontokobe | By facilitating the process to unlock the participation of Ntontokobe Communities and the private sector in the | Ntontokobe Business Support Centre | R 900,000 | R 900,000 | Business support centre established and operational | Facilitate training (8) provide business advice (40) and registration of new local businesses (8) | Achieved: 5 trainings completed, 156 Trainings conducted, 59 local economies registered with CIPC. | Facilitate training (1) provide business advice (10) and registration of new local businesses (2) | Photographs, attendance registers, CIPC reports | Achieved: 2 trainings, 33 business advice, 48 businesses registered with CIPC | | | | | M Bori | |
| | | | 1 mixed use development plan | R 400,000 | R 400,000 | Business plan developed for NEDA | Funding for a mixed use development secured | Achieved: Human settlements department was committed funding for a study as well as private sector investor | Expression of interest advert for partnership | Achieved: Expression of Interest Advert placed in the Daily Dispatch | | | | | | | |

| | | | | | | | | | | | | | | | | |
|--|---|--|--|--------------------|-----------|--|--|-----------------|---|--|---|--|---|---|--|------------|
| Enterprise development and support | To enhance spatially equitable economic growth | By developing new enterprises to encourage local production, processing and consumption by 2017 | Nkomkobe block-yard | R 800,000 | R 160,000 | Suitable site identified in Middelburg and seed funding secured from IDC, Block yard | Block and paver manufacturing yard established and operational | Achieved | 100 000 bricks produced | Photographs, financial reports, EPWP reports | Achieved: Blockyard operational and 65000 bricks have been produced and 15000 sold. | | | | | P Dongi |
| | | | Nkomkobe quarry | No budget required | R 800,000 | Suitable site identified in Middelburg and seed funding secured from IDC, Block yard | Obtain relevant licences and permits | Not Achieved | License for Nkomkobe quarry | Copy of progress report from service provider, correspondence from Dept of Mineral Resources | Not Achieved | | The DC did not release the money for the purpose and as such the project could not move | The Entity is seeking for alternative source of funding | | Khanya M |
| Employment | To reduce unemployment by creating 48 job opportunities by 2017 | By creating temporary job opportunities in all NEDA projects | Sixteen (16) temporary jobs created | R 105,600 | R 130,000 | More than 20 employment opportunities created by NEDA projects | Sixteen (16) temporary jobs created | Target exceeded | 5 temporary jobs maintained | EPWP reports, Financial reports, Identify copies of employees | Target Exceeded: 38 jobs were created through EPWP | | | | | Khanya Jik |
| KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE PROVISION | | | | | | | | | | | | | | | | |
| Asset Management | Om revenue generation | To ensure that the agency becomes self-sustainable by 2017 | Raise 5% of operating budget from own revenue. | No budget required | | Not achieved | 5% of NEDA operating revenue raised from own revenue | Achieved | 5% of NEDA operating revenue raised | Financial reports | Achieved: R75 471 (50% of annual target) was raised through the truck and blockyard | | | | | N Kawa |
| Asset Management | To ensure effective management of NEDA assets | By developing and maintaining all NEDA assets | GRAP Compliant Asset Register | Ops budget | R0 | Not achieved | Monthly Reconciliation of Assets register to GL | Achieved | Monthly Reconciliation of Assets register to GL | Copy of Report | Achieved | | | | | N Kawa |
| Supply Chain Management | Ensure effective implementation of SCM policy and regulations | By complying with prescribed legislative framework and accounting standards. Reporting on tender processes/adjudication are completed within 60 days of notice given/annually adjudication reports | 4 supply chain reports to the board | Ops budget | R0 | Not achieved | 4 supply chain reports to the board | Achieved | Supply chain report for quarter | Copy of SCM report to board, Board minutes | Achieved | | | | | N Kawa |

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|----------------------|---|--|---|---|-----------|-----------|-----------|--|---|----------|--------------------------|--|--|--|--|--|--|--|--------|
| Governance Oversight | Marketing and communications | To ensure effective marketing and governance with stakeholders by 2017 | By developing and implementing the necessary communication tools and policies | Improved communication with stakeholders. | R 168,536 | R 168,536 | R 168 000 | 4 ordinary board meetings and 3 special board meetings were held including a training session on governance and King III | Effective marketing and communication with stakeholders | Achieved | Update NEDA website | Copy of updated NEDA website screenshots | Achieved: Procurement (RFQs) related matters were updated. | | | | | | M Mail |
| | An effective oversight role of the NEDA board | | | | R 168,536 | R 168,536 | R 168 000 | NEDA website live, updated website, marketing material developed (banners etc.) | Effective and inspiring governance and efficiency of the institution. | Achieved | 1 ordinary board meeting | Attendance register | Achieved | | | | | | M Mail |

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on Nkonkobe Local Municipality

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the Nkonkobe Local Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2015, the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets, the consolidated and separate cash flow statement and the consolidated and separate statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the consolidated and separate financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

6. In terms of *GRAP 17, Property plant and equipment*, the cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. In addition *GRAP 13, Leases*, assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The municipality did not:
 - Recognise all items of property, plant and equipment from which future economic benefits will flow to the entity.
 - Exclude all refundable purchase taxes from the cost of all property, plant and equipment recognised during the financial year.
 - Accurately record depreciation on all items on property, plant and equipment.
 - Accurately recognise all items of finance leased property, plant and equipment at the lower of fair value or the present value of the minimum lease payments, determined at the inception of the lease.
7. As a result, property, plant and equipment, disclosed in note 4 to the consolidated and separate financial statements is understated by R6,6 million and accumulated surplus is understated by the same amount. In addition work in progress, included in the balance of property, plant and equipment is overstated by R4,3 million (2014: R17,8 million) and additions to property, plant and equipment is understated by the same amount.
8. In addition, I was unable to obtain sufficient, appropriate audit evidence that management had properly accounted for property, plant and equipment disclosed in the consolidated and separate statement of financial position and in note 4 to the consolidated and separate financial statements due to inadequate record management. I was unable to confirm the balance of property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property, plant and equipment stated at R290,1 million in the consolidated and separate financial statements.

Irregular expenditure

9. Irregular expenditure of R34,7 million is disclosed in note 42. The municipality's process for the recording and recognition of irregular expenditure was insufficient as amounts were not recorded and the disclosure was incomplete. Consequently, irregular expenditure is understated by R8,9 million. Due to the lack of systems, it was impracticable to determine the full extent of the understatement of irregular expenditure. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustment to irregular expenditure as disclosed in note 42 was necessary.

Investment property

10. In terms of *GRAP 16, Investment property*, investment property is property held to earn rentals or for capital appreciation or both. Investment property shall be recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and the cost or fair value of the investment property can be measured reliably. The municipality:
 - Incorrectly classified owner occupied property as investment property.
 - Did not include all items of investment property to which it has title in the investment property register.
 - Incorrectly included items of investment property to which it does not have title in the investment property register.
11. As a result, investment property, disclosed in note 3 to the consolidated and separate financial statements is understated. Due to the lack of systems, it was impracticable to determine the full extent of the understatement of investment property.
12. In addition, I was unable to obtain sufficient, appropriate audit evidence that management had properly accounted for investment property disclosed in the consolidated and separate statement of financial position and in note 3 to the consolidated and separate financial statements due to inadequate record management. I was unable to confirm the balance of investment property by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R18,3 million in the consolidated and separate financial statements.

Bulk purchases

13. In terms of *GRAP 1, Presentation of Financial Statements*, an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. The municipality incorrectly recorded bulk purchases in relation to the prior financial year in the current financial period. Subsequently bulk purchases, as disclosed in note 33 to the consolidated and separate financial statements, is overstated by R2,7 million (2014: R2,7 million) and payables from exchange transactions is understated by the same amount.

General expenses

14. In terms of the *GRAP Framework*, information must represent faithfully the transactions and other events it purports to either represent, or could reasonably be expected to represent. The municipality did not;
- Accurately record all general expenses related to the financial year as supplier invoices did not agree to recorded values in the general ledger.
 - Recognise all general expenses relating to the financial year in the consolidated and separate financial statements of the municipality.
15. Consequently, due to the lack of systems, it was impracticable to determine the full extent of the understatement of general expenses of R35,5 million (2014: R53,3 million) in note 34 to the consolidated and separate financial statements and payables from exchange transactions.

Cash flow statement

16. Supporting evidence for the consolidated and separate cash flow statement, in both the current and corresponding financial years, was not available and no alternative audit procedures were possible. Consequently, I was unable to determine the value of adjustments required to the cash flows as disclosed in the consolidated and separate cash flow statement and note 38 to the consolidated and separate financial statements.

Aggregation of immaterial uncorrected misstatements

17. The consolidated and separate financial statements as a whole were materially misstated due to the cumulative effect of individually immaterial uncorrected misstatements making up the consolidated and separate statement of financial position. Inventories as disclosed in note 7 to the consolidated and separate financial statements was understated by R1,8 million.
18. In addition, I was unable to obtain sufficient, appropriate audit evidence regarding amounts disclosed for cash and cash equivalents of R805 740 included in the disclosed balance of R6,2 million as per note 11 to the consolidated and separate financial statements. I was unable to confirm this item by alternative means. Consequently, I was unable to determine whether any adjustment to this item was necessary.

Payables from exchange transactions

19. The corresponding figure for payables from exchange transactions and the related expenditure were overstated by R2 million as a result of the municipality not having adequate systems to identify and account for expenditure in accordance with *GRAP 1, Presentation of financial statements*.
20. Sufficient appropriate audit evidence could not be obtained due to poor record management for the items set out below:
- Amounts due for third party payments
 - Salary suspense accounts
 - Unallocated deposits

- A listing of creditors
- Payments received in advance

21. I was unable to confirm this corresponding balance by alternative means. Consequently, I could not determine if any adjustments were necessary to payables from exchange transactions amounting to R76,5 million as disclosed in the consolidated and separate statement of financial position and note 16 to the consolidated and separate financial statements.
22. My audit opinion on the consolidated and separate financial statements for the period ended 2013-14 was modified accordingly. My opinion on the current period's consolidated and separate financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Repairs and maintenance

23. Sufficient appropriate audit evidence was not submitted to substantiate repairs and maintenance, in the corresponding figure, in the consolidated and separate financial statements. I was unable to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the repairs and maintenance of R17,8 million disclosed in the consolidated and separate statement of financial performance.
24. My audit opinion on the consolidated and separate financial statements for the period ended 2013-14 was modified accordingly. My opinion on the current period's consolidated and separate financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Aggregation of immaterial uncorrected misstatements in comparative figures

25. The consolidated and separate financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements, in the corresponding figures, in the following elements making up the consolidated and separate statement of financial position, the consolidated and separate statement of financial performance and the notes to the consolidated and separate financial statements:
- Revenue from exchange transactions was understated by R1,6 million.
 - Gains on fair value adjustments was overstated by R1,2 million.
 - Cash and bank was overstated by R598 500.
 - VAT receivable was understated by R841 785.
 - Non-current liabilities was understated by R587 700.
 - Investment property was overstated by R632 590.
 - Receivables from exchange and non-exchange is overstated by R874 069.

26. My audit opinion on the consolidated and separate financial statements for the period ended 2013-14 was modified accordingly. My opinion on the current period's consolidated and separate financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Qualified opinion

27. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Nkonkobe Local Municipality as at 30 June 2015 and its consolidated and separate financial performance and the consolidated and separate cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

28. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

29. As disclosed in note 40 to the consolidated and separate financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 30 June 2015.

Material losses

30. As disclosed in note 31 to the consolidated and separate financial statements, material losses to the amount of R10,8 million were incurred as a result of a write off of trade debtors.
31. As disclosed in note 29 to the consolidated and separate financial statements, material losses to the amount of R9,6 million were incurred as a result of an impairment of property, plant and equipment.
32. As disclosed in note 49 to the consolidated and separate financial statements, material losses to the amount of R9,7 million was incurred as a result of electricity distribution losses. Further to this, the percentage disclosed for electricity losses is above the acceptable range.

Events after reporting date

33. As disclosed in note 1.2 to the consolidated and separate financial statements, the boundaries of Nkonkobe Local Municipality and Nxuba Local Municipality have been redefined. The two municipalities will be amalgamating after the local government elections. The official date of the amalgamation has not been published in the government gazette and the financial implications for Nkonkobe Local Municipality cannot be reliably estimated.

Unauthorised expenditure

34. As disclosed in note 42 to the consolidated and separate financial statements, unauthorised expenditure amounting to R35,9 million was incurred by the municipality during the year ended 30 June 2015. This was as a result of expenditure which was not adequately budgeted for and expenditure in excess of the budget.

Fruitless and wasteful expenditure

35. As disclosed in note 42 to the consolidated and separate financial statements, fruitless and wasteful expenditure of R1,1 million was incurred by the municipality during the year ended 30 June 2015. This was as a result of interest and penalties charged on late payments made by the municipality.

Additional matter

36. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

37. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

Report on other legal and regulatory requirements

38. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

39. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2015:

- Development objective 1: Basic Service Delivery

40. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

41. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
42. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
43. The material findings in respect of the selected development priorities are as follows:

Development objective 1: Basic service delivery

Usefulness of reported performance information

Consistency of objectives

44. Section 41(c) of the Municipal Systems Act requires the service delivery agreement to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. Municipal Finance Management Act (MFMA) circular number 13 requires that the integrated development plan (IDP) and the service delivery budget implementation plan (SDBIP) must be consistent with the annual report.
45. One hundred percent of the reported development objectives were not consistent with the planned development objectives. This was due to management not agreeing the planned objectives as per the approved IDP to the SDBIP.

Additional matter

46. I draw attention to the following matter:

Achievement of planned targets

47. Refer to the annual performance report on page x to x for information on the achievement of the planned targets for the year.

Compliance with legislation

48. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

49. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted consolidated and separate financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the consolidated and separate financial statements receiving a qualified audit opinion.
50. The annual return for the year 2014-15 was not filed with the Commissioner of the Companies and Intellectual Property Commission, as required by section 33 of the Companies Act and prescribed in the Companies Regulations, Regulation 30(1).

Audit committees

51. The audit committee did not advise the council and the accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
52. The audit committee did not advise the council and the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
53. The audit committee did not advise the council and the accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
54. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
55. The performance audit committee or audit committee did not review the municipality's performance management system and/or make recommendations to the council, as required by MPPMR 14(4)(a)(ii).
56. The performance audit committee or audit committee did not review all the quarterly internal audit reports on performance measurement, as required by MPPMR 14(4)(a)(i).
57. The performance audit committee or audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPMR 14(4)(a)(iii).
58. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
59. The performance audit committee did not meet at least twice during the financial year, as required by MPPMR 14(3)(a).

Internal audit

60. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not report to the audit committee on the implementation of the internal audit plan and it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

Procurement and contract management

61. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as sufficient supporting documentation was not submitted for audit.
62. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).
63. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
64. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
65. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
66. Contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
67. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of Preferential Procurement Policy Framework Act.
68. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
69. Awards were made to providers who are in the service of other state institutions or whose directors are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
70. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

71. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB regulation 18.

72. The municipal entity did not implement a SCM policy as required by section 111 of the MFMA.

Human resource management and compensation

73. An acting municipal manager was appointed for a period of more than three months without the approval by the MEC and for more than six months in contravention of section 54A(2A) of the Municipal Systems Act.

Expenditure management

74. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

75. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Asset management

76. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Liability management

77. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

78. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

79. Allegations of financial misconduct against senior managers were not always tabled before council, as required by disciplinary regulations for senior managers 5(2).

Strategic and performance management

80. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by section 38 of the MSA and regulation 7 of the MPPMR.

Internal control

81. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

82. Slow response to audit messages and effective leadership remain a challenge. The roles and responsibilities for recording and filing financial and performance information have been communicated to all relevant staff, but there is a lack of effective oversight by all leadership and oversight structures to ensure accountability and adequate consequences for poor performance and transgressions, which resulted in repeat financial, performance information and compliance findings raised during the audit.
83. Oversight responsibilities regarding the monitoring of internal controls over financial reporting and compliance with applicable laws and regulations were not adequately performed. This resulted in the qualified audit opinion, non-compliance with applicable laws and regulations and the information presented in the report on predetermined objectives not being useful.
84. The leadership did not implement adequate controls to ensure that the financial statements submitted for auditing did not contain material errors and non-compliance with applicable legislation. The audit action plan was not adequately monitored by the leadership to ensure that management addressed internal control deficiencies.

Financial and performance management

85. The consolidated and separate financial statements were subject to material adjustments that were not detected by management. In addition, there were material misstatements that were not corrected and form the basis of the qualified audit opinion. This is due to adequate daily and monthly financial processing and reconciliations not always taking place prior to the preparation of the consolidated and separate financial statements, and the audit process was utilised to correct the financial records.
86. The municipality did not have a proper system of record management that provided for the maintenance of information to be reported in the annual performance report. This includes information that relates to the collection, collation, verification, storing and reporting of actual performance information.
87. The municipality's compliance monitoring process was not effective in the implementation and monitoring of controls to ensure that non-compliance with its laws and regulations was prevented or detected. This contributed to repeat non-compliance findings in the current year.

Governance

88. The recommendations of the internal audit unit were not adequately addressed by management and therefore did not have a positive impact on addressing control deficiencies that existed in the municipality's control environment.
89. The audit committee was not effective in strengthening the control environment within the municipality, as numerous material misstatements were identified during the audit. Furthermore, recurring findings on financial reporting, performance reporting and compliance matters were identified during the audit process.

Auditor-General

East London

18 December 2015



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annual Report



Nkonkobe Economic Development Agency

2014/2015

*Nkonkobe Economic Development Agency
317 garden street
Alice
5700*

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1. INTRODUCTION AND OVERVIEW

The Nkonkobe Economic Development Agency (NEDA) is an entity of the Nkonkobe Local Municipality, and as such is responsible for driving the economic development of the municipal area, within the applicable legislative framework. NEDA's vision and mission statements point to their firm commitment to uplifting the economy of the region and, in so doing, to improve the quality of life of all residents in the municipal area.

Vision

“Inspiring change and stimulating economic growth”

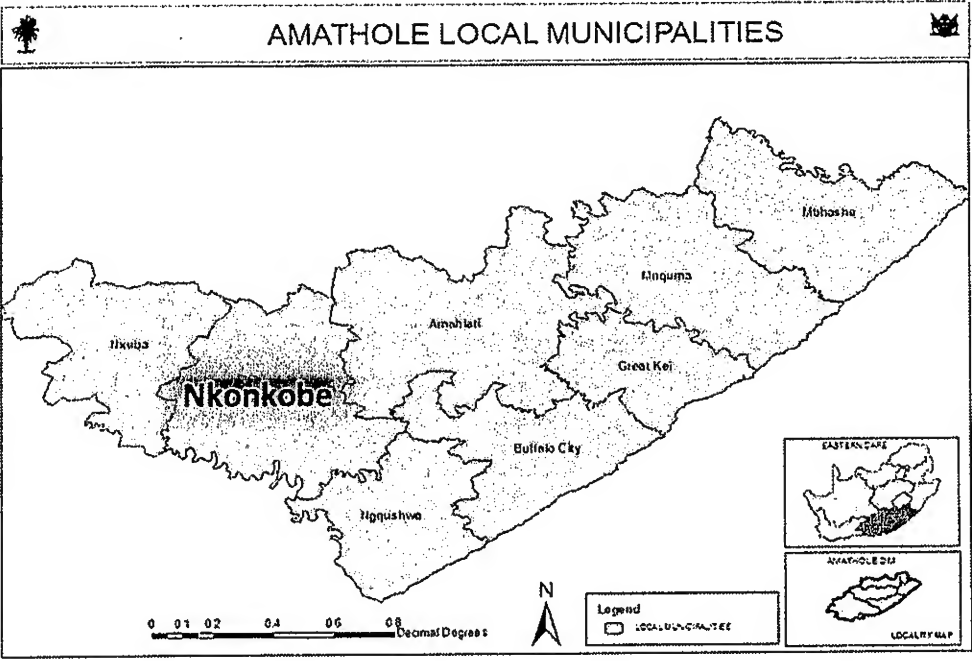
Mission

‘NEDA provides sound facilitation of economic development support to both public and private sector partners in a transparent and business-like manner towards creating an enabling environment for value addition and business growth’

Values

- EXCELLENCE – a standard that surpasses the ordinary ones, outstanding performance.
- ENTREPRENEURIAL - empowering, developmental, dynamic, spotters of potential.
- VISIONARY – inspired, imaginative, creative, insightful, enterprising, far sighted.
- “SIKHAWULEZILE” – fast paced, agile, nimble and responsive to socio-economic needs.

NEDA offices are located in the small town of Alice. Our mandate and focus area is the entire Nkonkobe region, including the towns, villages, hinterlands of Alice, Middledrift, Fort Beaufort, Hogsback and Seymour/Balfour.



• *Figure 1: Nkonkobe Local Municipal Area*

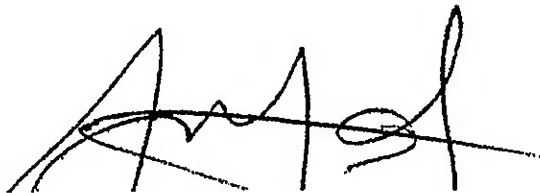
1.2. CHAIRPERSON'S STATEMENT

During 2014/15 financial year, the board successfully hosted a strategy review session in partnership with GIZ in the third quarter of the year. The review was aimed at forging a new growth path for NEDA as it enters a more challenging but interesting era. The aforementioned era is characterised by growth in project pipeline and increased awareness about NEDA's contribution in the Local Economic Development (LED) space. The Nkonkobe Mayor, for the first time in many years formally opened the session at Hogsback. The Mayor outlined the municipality's vision for the future of the agency whilst acknowledging the growth of its profile since the board took over. He delineated the importance of the agency and how it can enable the municipality to fulfil most of the LED outcomes. He added that the entity can also add value in service delivery projects such as the development and maintenance of public spaces, infrastructure etc.

The strategy session was attended by a range of stakeholders including our parent municipality, provincial departments, local farmers, business people, education institutions, SALGA, the Agriculture Research Council (ARC), the German Development Agency (GIZ), the IDC, and the District Development Agency, Aspire etc. By including as many stakeholders as possible the board is embarking on a path of effectively communicating our programmes, broadening stakeholder participation and entrenching cross pollination of ideas within the agency. The interest shown and the vibrancy of the discussions reflected the board's determination to grow the Agency through partnerships that stretch beyond our district and province. For example the strategic planning session received presentations with cases studies from Tzaneen Local Municipality and another research project on indigenous plants from the Agriculture Research Council (ARC).

The board would like to extend a word of gratitude to all those who attended and participated as well as the institutions they represented. Furthermore, the GIZ made an even greater contribution by funding the two day session and making it possible for NEDA to host the strategic planning session in a comfortable venue in the Nkonkobe Municipal area.

During the third quarter the Municipality together with the NEDA board hosted a delegation from the Bushbuckridge Local Municipality. The purpose of the visit was to assist the Bushbuckridge municipality in the implementation of a council resolution to establish a development agency in the municipality. The visit was highly successful as we were able to provide them with all the information they required and we continue to assist them in the process of establishing the agency. The visit was initiated and facilitated by COGTA national.



Fezeka Maqwati

Acting Chairperson - NEDA Board

1.2. CEO'S REPORT

1.2.1. Introduction

The year under review presented NEDA with real challenges that called for more creativity and a need to be innovative in our approach to LED. The entity has had to engage in very aggressive fund mobilisation initiatives while at the same time ensuring that that project do not stall. Our main funder, the IDC took longer to transfer funds for our operations and projects and we relied heavily on the support from our parent municipality. This late transfer has affected mostly our new projects that are still at conceptual stage that need professional services to strengthen our planning e.g. Mixed-Use development and the development of a new Quarry. Otherwise those that are running have kept their momentum such as the Nkonkobe Block-yard in Middledrift, the Smallholder Farmer Development Programme, the Business Support Centre, and the Citrus project. During the last quarter one of our Staff members, Ms Jili joined Makana Local Municipality's LED division. She has been with the agency for more than 3 years and we want to wish her well. Our staff's attractiveness in the job market is a direct outcome of our vibrant, pragmatic and creative environment that allows for professional growth and development.

1.2.2. Nkonkobe Local economy:

1.2.2.1. Citrus

Our citrus project has managed to yield results in line with the objectives that were outlined in the business plan submitted to the IDC. Our support to the 5 previously disadvantaged citrus farmers has managed to achieve two key objectives, namely;

- reduce production costs for the citrus farmers and
- Increase their productivity.
- Creation of a sustainable funding stream for their production needs

Through a partnership with the five farmers belonging to the Ngcwengxa Co-Op, we have managed to contribute towards decreasing their production costs by about 15%. This reduction happened because the farmers previously accessed expensive production loans for their inputs (e.g. fertiliser, chemicals etc.). By assisting to purchase the inputs as a collective and eliminate the middleman, the collective purchasing direct from the supplier has brought down productions costs. Furthermore, the IDC funding has been used to purchase a truck that is available at a reasonable rate to the farmers. They hire it to quickly move produce from farm to pack shed and also transport their cash crops (e.g. butternut) to the market during the citrus off season. The reduction in costs has contributed to the realisation and mainstreaming of the importance of joint purchasing and collective bargaining for the

farmers. The previously disadvantaged farmers are realising that there are huge benefits that can be derived from working as a team in their approach to farming.

The key factor to increase productivity in the citrus sector is the ability to apply inputs such as fertiliser and chemicals on time. Our five farmers have not been able to apply these on time simply because they would receive funding late and therefore purchase and apply chemical very late. This resulted in a significant decrease in productivity output. Now the farmers are able to get a portion of the inputs on time and apply them in time. This has resulted in a 15%-25% increase in productivity as sizeable increases in exports.

The farmers have been able to pay back the funds used to purchase the inputs consistently over the past two years. The funds are a revolving credit facility which is made available for the farmers on an annual basis especially just after the close of the harvest season (in September) and the beginning of the application of inputs. The fact that the inputs are available “just in time” has a direct positive impact on the productivity levels. For example, when the pesticide is applied it stays active for 12 months in the citrus tree and has to be applied at the beginning of the growing season, so if it’s not applied on time it simply means that the citrus won’t be ready for harvest and export at the optimal time in a year’s time.

1.2.2.2. The Nkonkobe Smallholder Farmer Support Programme

Our small holder farmer support programme has been piloted successfully with positive results all around. The programme aims to link these farmers with reliable markets and thereby reduce dependence on government grant funding. Firstly the programme has managed to link the farmers with local markets and provides them with a sustainable market access that’s both local and easy to reach. For example, local supermarkets such as Spar in Alice have managed to absorb a significant portion of the fresh produce from our farmers in the Seymour, Debenek and Amathole Basin areas. Though the programme NEDA signed a marketing and branding agreement with I-SPAZA “community brands” to market their produce and lock them into a relationship with markets. The small holder farmers are also participating in a local seed production project with the university of Fort Hare. The open pollinator (OPV) seed production project has seen the farmers benefit from advice and visits by qualified and experienced seed inspectors. The seed will be packaged and sold at significantly lower prices to Nkonkobe farmers and they can also grow or replicate them for themselves over the next few years. The aim is to lower the costs of production while at the same time ensuring that the farmers are less dependent on government grants. Through this programme NEDA has become a partner in the branded maize meal products that have been produced in partnership with the Eastern Cape Rural Development Agency (ECRDA). Furthermore the farmers continue to ask and

receive advice from our in-house agriculture and rural development specialist. The programme also benefits from an AGRISETA programme that has 6 post graduate interns from the University of Fort Hare.

1.2.2.3. Forestry

The forestry sector is a high potential sector in Nkonkobe. The Kolomani area in Balfour has been identified by the forestry industry as an ideal area to grow timber. Furthermore, the local sawmilling companies such as Schenk Enterprises and Rance Timbers have already committed to purchase all the timber. The area has been plagued by veld fires which ruin most of the timber. NEDA has engaged the Eastern Cape Forestry Sector Forum (ECFSF) and the IDC with the aim of revitalising the industry in Kolomani. The ECFSF is a forum of forestry stakeholders including municipalities, private sector companies such as Mondi, education institutions such as Fort Cox as well as a range of other stakeholders. The IDC has pledged to assist and the mechanism of the assistance will be finalised in the new financial year in consultation with the communities and the IDC.

1.2.2.4. Employment creation

The entity continues to strive to become the preferred implementer for the parent municipality. During the year under review NEDA secured R2,6m from the Department of Roads and Public Works for the implementation of phase two of the Alice gateway. The funds were deposited into the municipal bank account and NEDA became an implementation partner in line with a signed Small Towns Programme MOU. The project succeeded in creating 52 job opportunities for 5 months, through the planting of trees, completion of the paving in line with labour intensive principle of EPWP.

1.2.2.5. Nkonkobe Business Support Centre

The business support centre has managed to scale up its support for local businesses during the year under review. A total of 5 trainings were completed during the year focussing on cooperatives, SMMEs and other small enterprises in the Nkonkobe municipal area. The training and workshops focussed on business management and on-site training for cooperative (e.g. training for a youth cooperative on mixing ratios in a block making project). A hundred and fifty six (156) local businesses received one on one business advice from our business advisor and the GIZ advisor. Follow up on site visits to the enterprises were arranged were also arranged. A further forty (40) new businesses and cooperatives were registered through the CIPC. The business support centre continues to be a one stop shop for local enterprises and cooperatives ranging from business advice, to training, and even internet access. The business advice centre has also become a centre piece for our entity because we have successfully incorporated it into the institutional makeup of the agency and the IDC has accepted it for further funding for its operations.

1.2.2.6. Small Town Revitalisation Programme

Various investment opportunities were pursued in line with Small Town's revitalisation programme of the province. Adverts for a mixed used development were placed for the development of a food court at the Fort Hare-Alice integration zone. Only one investor responded and going forward the investors will continue to be engaged to ensure that job opportunities are created in partnership with the private sector. NEDA's planned mixed use develop also involves exploring opportunities in the housing market by partnering with the private sector to develop affordable rental housing. In this regard we have received a positive commitment from Department of Roads and Public Works, the largest landowner in Alice to transfer properties to the municipality for purposes of developing rental housing in partnership with the private sector. The department of Human Settlements has since identified Nkonkobe as a pilot for the rental housing development and has since appointed consultants to do feasibility studies on the identified sites. The Department will develop the rental housing and transfer to the municipality upon completion. This process has meant that as an entity we could not proceed with a similar study to avoid duplicating effort and use of public resources. So NEDA will support the Human Settlements process to be finalised as its objectives are the same as the entity's envisaged Mixed Use development programme.

1.2.2.7. Nkonkobe Block-yard in Middledrift

The Nkonkobe block yard in Middledrift became operational during the third quarter of the year under review. The project employs fifteen people. The project also received funding from the LRED fund in the province. The revenue form the block yard has been earmarked for reinvestment in other LED project. Furthermore the revenue will also be utilised to defend jobs and prepare or capacitate the Middledrift community to become partner in the running of the project. Bricks from the yard are being sold to local hardware stores in Middledrift and Fort Beaufort at wholesale prices to avoid competing with small scale brick manufacturers in the Nkonkobe area. The funding is being utilised to scale up production, provide training and purchase an additional machine that can produce other products such as pavers and M9 blocks. The municipality has been approached to purchase the blocks and pavers for the construction of community halls and paving of streets.

1.2.2.8. Revenue Generation

In light of the funding challenges facing the entity, we have committed to raise revenue in an aggressive manner that complies with the Municipal Finance Management Act (MFMA). The act allows us to generate income for reinvestment in LED as our core business and not pay dividends. To this end we committed to raise at least 5% of our operating revenue from our project through hiring out the truck and sales of bricks. We have managed to exceed this target by about 2-3% during the year under review. During the same period, we were able to raise additional funding through the

submission of funding proposals to various funders. We raised R3 million for the block yard, and received approvals for funding of learnerships and internships from the Services Seta totalling more than R18 million to be implemented in the new financial year. The Seta funding will be a business support programme as it focusses on skills (e.g. project management, funeral services, horticulture, business management etc.) training for Nkonkobe Salons, NGOs, cooperatives, funeral parlours etc.

1.2.3. Institutional strengthening

1.2.3.1. Towards sustainable partnerships

The expanding NEDA project pipeline has meant that the entity as an institution needs to grow and develop the capacity to handle more projects. To this end the entity has signed an MOU with GIZ for the placement of an advisor at our Alice office. The advisor joined the entity in the second quarter of the financial year and has a wealth of experience in managing and operating a municipal entity like our in Hildesheim District Municipality in Germany. We will continue to partner with private sector institutions and the other institutions such as the university of Fort Hare to ensure that our capacity to deliver projects on time and within budget is realised. In our endeavours we are guided by the parent municipality's vision of achieving a "self-sufficient" institution. Other funders such as the SETAs and Corporate Social Responsibility institutions of the private sector have shown an interest in partnering with us going forward.

1.2.3.2. New revenue generation strategy

The current year was not easy as funding and cash flow pressures in the entity (IDC funding late) and at the municipality sent jitters all around. Management with the support of the board kept a tight leash on funds to ensure that our obligations in terms of overheads are met. The board has kept management on their toes during the process of exercising fair but tight oversight over the finances of the institution. Our parent municipality was able to assist us immensely even though they faced a tight financial position. Additional funding for project management was transferred and increased our funding allocation from the municipality by more than 50% from the previous financial year. The entity has also strengthened its working relationship with the LED unit of the parent municipality. The entity works with the parent municipality's LED personnel in range of projects e.g. Block yard, citrus and other smaller LED projects. We utilise their expertise and they also utilise ours. We have also forged closer working relations with the engineering and infrastructure department of the parent municipality because we now share both resource and expertise on a regular basis. This is a reflection of the strengthening of relations between the entity and the municipality.

The entity has also engaged in a working partnership with GIZ covering the following areas:

- Asset Based Community Development (ABCD) training to enhance our approach to LED and ensure that community participation is at the centre of all LED projects.
- A provincial working was established with COGTA Eastern Cape to enable the province to adopt a provincial strategy for Agency support. The working group comprises all municipalities with agencies in the provinces. NEDA participates in the working group and is a key participant.

1.2.3.3. Committed team and supportive board

Our staff members have managed to maintain high levels of commitment to the NEDA strategy. Even during times of great stress, they managed to keep focused and be unselfish. We have embarked on a phased approach to ensure that staff members enjoy a favourable working environment and their needs are taken care of whilst at the employ of the entity. Management with the support of the board has made available subsidised medical aid to all employees. This was a first in the history of the entity and we believe that this will instil commitment and camaraderie in the institution. During the last month of the financial year one of our staff members was poached by another municipality. The loss in personnel created a gap in our capacity. This decreased capacity meant that other staff members had to pick up where she left off. This gap was quickly filled by colleagues who displayed a sincere sense of commitment to our vision. Their efforts are hereby acknowledged. A word of gratitude also goes out to our Board for the continued support and rigorous but fair exercise of oversight in support of management. The Board has managed to provide guidance on key elements of oversights namely, risk management and strategy development.

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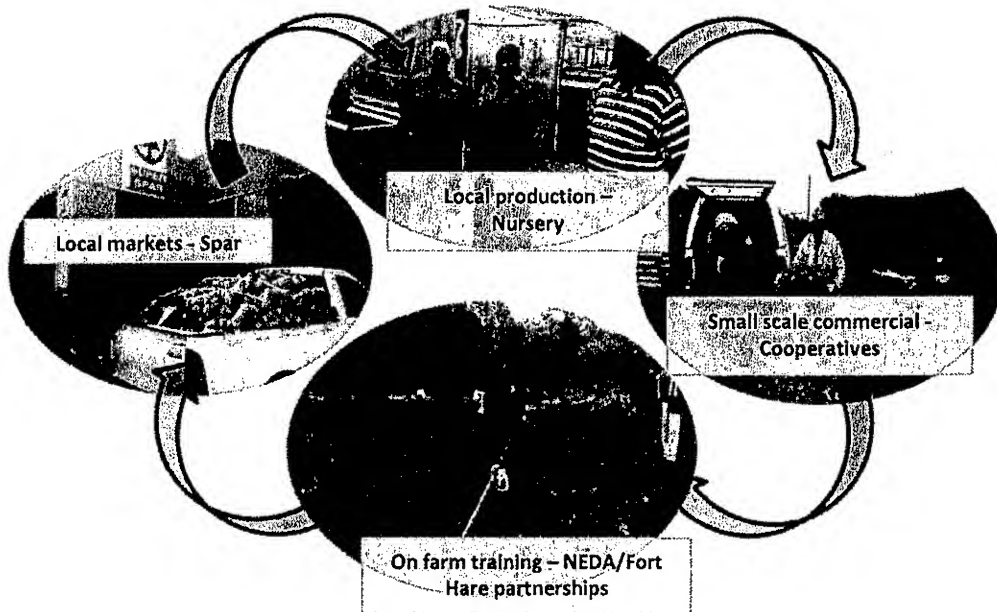


Mandisi H. Mali

Chief Executive Officer

2. PERFORMANCE HIGHLIGHTS

2.1. Nkonkobe Smallholder Farmer Development: Unlocking Rural potential



The National Development Plan recommends that poor smallholder farmers should be given greater collective market power as well as innovative market linkages. Furthermore, the Nkonkobe Municipality signed an MOU with the Fort Hare university and one of the areas of cooperation between the two institutions is Local Economic Development (LED). At the back of the Fort Hare Nkonkobe MoU, NEDA piloted a programme aimed at strengthening small holder farmers. The programme seeks to draw on the collective strength of small holder farmers, abundance of deep fertile soils and perennial rivers in Nkonkobe.

The overall objective of the programme is providing support to the small holder farmer so that he or she can move from subsistence to small scale commercial farming. In addition, the programme seeks to break the cycle of government grant dependency by locking the small scale farmer into a permanent relationship with the private retail sector. Self-sufficiency of Nkonkobe communities is the overriding principle guiding the programme.

To kick-start the programme NEDA purchased 3 tons of open pollinator variety (OPV) from Fort Hare and distributed to 40 smallholder farmers in Nkonkobe. The farmers were selected in consultation with the farmers associations and site visits were done to ensure that we only pilot with farmers that

are actively involved in the sector. A hundred hectares of land were planted in Seymour Balfour, Zalaze, Tyhume Valley and the Amathole basin.

Furthermore an MoU was signed with African Bio Resources (ABR), a private sector company with an interest in opening a milling plant and vast experience in agro-processing. The MoU ensured that ABR can assist the small holder farmers with training, soil testing and maize market knowledge.

2.2. Streamlining Women and youth in Agriculture and agro-processing

One of the farmers participating in our Nkonkobe Small Holder Farmer development programme is Ms Nomhami Booi, a woman farmer from Seymour encapsulates the spirit of our small holder farmer development programme. She has about 15 hectares of arable land and decided to participate in the pilot programme by planting 3 hectares. She has 15 hectares under dry land and with no access to irrigation infrastructure. She is an industrious lady who works with her family and strives for independence in the farming business. She does not want to depend on government for her farming business because she has identified an opportunity for herself and believes that she can succeed as a small scale commercial farmer. The current maize yield per hectare is 0.5 tons per hectare in the Nkonkobe area (DRDAR-Nkonkobe office, 2014). By planting the OPV that was tested and developed in the Amathole area, Ms Booi was able to increase the yield to more than 2 tons per hectare.

2.3. Together in Rural Development – Partnerships that work

Lovedale FET students attached at NEDA taking soil samples and interacting with local farmers on the left and right respectively

NEDA signed an MoU with the Agri-SETA to give an opportunity to 4 (four) graduate students from the Lovedale FET college to get experiential learning in our programme. The youth participated in a variety of tasks including the following:

- Soil testing
- Date capturing or record keeping for small holder farmers
- Site visits and monitoring of small holder farmers who are participating in the pilot
- Working at Khanya nursery to gain experience in nursery management , practices and propagation of seedlings

A further 10 students were also given an opportunity to get experiential learning by working with NEDA staff during site visits to small holder farmers in the Nkonkobe municipal area.

Khanya Women's nursery co-op is a key partner in our small holder farmer development programme because the cooperative forms the base of the local value chain. As a cooperative made up of

women only, Khanya nursery has been able to supply seedlings to local farmers at a lower cost because they save on transport costs to places such as Grahamstown, East London, or King William's Town. Khanya nursery has enhanced the self-sufficiency of the Nkonkobe Municipal area by reducing leakage in the local economy. By encouraging the sourcing of all vegetable seedlings and maize seeds in Nkonkobe our small holder farmer development programme seeks to create and sustain local employment.

2.4. Indigenous vegetables and medicinal plants

During the year under review NEDA hosted a team of professionals from the Agricultural Research Council (ARC) to conduct a feasibility study on the propagation and processing of indigenous vegetables and plants. The ARC team visited all the farmers and areas where aloe, pelargonium and other medicinal plants were growing. They concluded that there is an economic case that needs to be investigated for the harvesting of aloes and growing of indigenous vegetables in Nkonkobe. Furthermore the team recommended the resuscitation of the Seymour aloe processing plant in line with modern technology of extraction and packaging for the pharmaceuticals industries and others.

2.5. Localised and innovative citrus farmer support – “getting the production side right”

The citrus mechanisation unit project in partnership with the IDC, NEDA participation in the Nkonkobe citrus sector has been scaled up. Our programme has managed to lower the cost of production for the five farmers under the programme by more than 10% for each farmer during the year under review which is double year on year. The costs were lowered through the purchasing of inputs to increase product quality and address problems of black spot. Citrus black spot has been a national concern for citrus farmers in the country because it has been cited as a factor that negatively affects exports to Europe. At the beginning of the harvest season in March 2015, the farmers were experiencing a significant improvement in their outputs as a result of our contribution.

Through the NEDA intervention the farmers have witnessed a year on year growth of 22% since September 2013. The total export quantities have moved from 180 000 cartons per year to 220 000 and this year the target is 260 000. Furthermore to the assistance of inputs an 8 ton truck that was purchased by NEDA to assist the farmers during the harvest season and also raise revenue for the programme has also played a key role by transporting a total of 2300 bins from the farms to Eden pack house. This improved efficiency will increase export quantities through reducing the turnaround time of moving the fruit from the farms to the pack house. This has also assisted in plugging leakages from the local economy since the revenue raised through the hiring of the truck is ploughed back to support the programme.

A site has been identified along the R67 road between Seymour and Fort Beaufort for the establishment of a mechanisation unit to support the farmers. The department of Land Affairs was

engaged and has allocated development rights for the property to NEDA. DRDAR agricultural engineers are also in the process of assisting NEDA to do the development designs for the site. To date the project has managed to take these farmers to almost debt free stage and with this continued support the coming season will see a complete shift to debt free. The programme has also managed to boost job opportunities as the pack house now employs 120 people when at full capacity.

The farmers employ a total of 60 permanent workers and during the harvesting period the combined number of seasonal job opportunities is close to 1000 which is normally for a period of six months. Now the goal of the programme is to expand the land under orchards as currently these farmers are utilising half of their capacity. This will see a diversification into late maturing varieties of oranges which will extend the harvesting period hence ultimately increasing the job opportunities for seasonal worker to 9 months per year. The intention is also to venture into non citrus products like Avocadoes and Nuts as there is a ready market and this is supported by the citrus subsector study. Once all this is in place coupled with the establishment of a ONE – STOP shop to service Nkonkobe farmers then the economic growth of the local economy will be exponential.

2.6. Deepening localisation (Nkonkobe block yard in Middledrift and Quarry)

The Nkonkobe block yard project is now operational starting December 2014. The block yard has two main objectives i.e. to provide sustainable employment opportunities and plug leakages from the local economy by entrenching local supply in the construction value chain. Over the past few years the construction sector in the municipality has been booming. Public sector construction projects such RDP housing, private house developments, road paving by the municipality and other infrastructure related developments are good indicators about the vibrancy of the sector.

Furthermore growth and sustainability of hardware stores in the materials supply sector are good indications of the untapped growth potential in the sector. Building materials supplies continue being sourced outside Nkonkobe and that represents a big leakage from the local economy. The block yard as a project seeks to plug this gap and increase local participation in the sector. In March of 2015 NEDA received funding from DEDEAT LRED to the tune of R3m aimed at expanding the operations through acquiring new machinery and associated equipment with a higher production capacity than the current one in use at the block yard. The new machinery and equipment on the cards is also capable of manufacturing other concrete products over and above the current M6 blocks and viz: pavers, M4 blocks, M9 blocks and standard bricks.

Since the start of operations in December 2014, the production as at June 2015 was sitting at 65000 blocks. Of this figure, nearly 15000 blocks have already been sold to the Nkonkobe locality through the local hardware stores. It is also worth noting that NEDA has established a win – win relationship with the local hardware stores and the community at large. This arrangement has generally seen the price of M6 blocks dropping in Nkonkobe from R10.50 to between R8.50 – R9.50. Through this

intervention NEDA has managed to create 12 permanent jobs and 13 temporal jobs in less than six months of operation. This project resonates very well with one of the strategies of NDP with regards to rural development and employment creation. It is anticipated that the project will grow and be able to localise supply of concrete related products in five years and creating employment for the local people in the production sector and the value chain of construction sector. This will ultimately results in the growth of Nkonkobe economy and the associated multiplier effects of economic growth.

A pre-feasibility study was undertaken in partnership with geologist from the University of Fort Hare to identify potential sites for a Nkonkobe quarry. The establishment of a quarry is meant to complement the block making operations in Middledrift by supplying stone aggregate. In addition to supplying the block yard the quarry will service the construction sector in Nkonkobe. The pre-feasibility study confirmed the existence of adequate reserves of dolerite in the Middledrift area to provide crusher dust for the block yard. This confirmation now gives the agency an opportunity to start a process to acquire mining and environmental permits for the establishment of the quarry in the new financial year.

2.7. Nkonkobe Business Support Centre

The Nkonkobe Business Support Centre is a critical centre piece of our support for enterprise development in the Nkonkobe Municipal area. The centre is a hub of activity servicing members of the public and facilitating training for SMMEs, Cooperatives and other enterprises in Nkonkobe. The bulk of the work focuses on training and workshops, registration of new businesses with The Companies and Intellectual Property Commission of SA (CIPC) and submission of CIPC Annual returns. The MTN Foundation funded the start-up costs for the centre. During the year under review the MTN foundation was in the process of concluding its funding cycle for the centre. And as a consequence NEDA is losing its main funder for the centre. NEDA has taken the responsibility to ensure that work of the centre is sustained. During the year under review, the following are some of the services that have been provided by the centre:

SMMEs attending Costing and Pricing

| Business Support Service | No of beneficiaries | | | |
|--------------------------------------|---------------------|-----------|-----------|-----------|
| | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
| 1. Trainings and workshops | 37 | 29 | 52 | 18 |
| 2. Business advice | 42 | 27 | 34 | 20 |
| 3. Registration of new businesses | 11 | 13 | 41 | 39 |
| 4. Submission of CIPC Annual Returns | 4 | 13 | 26 | 8 |

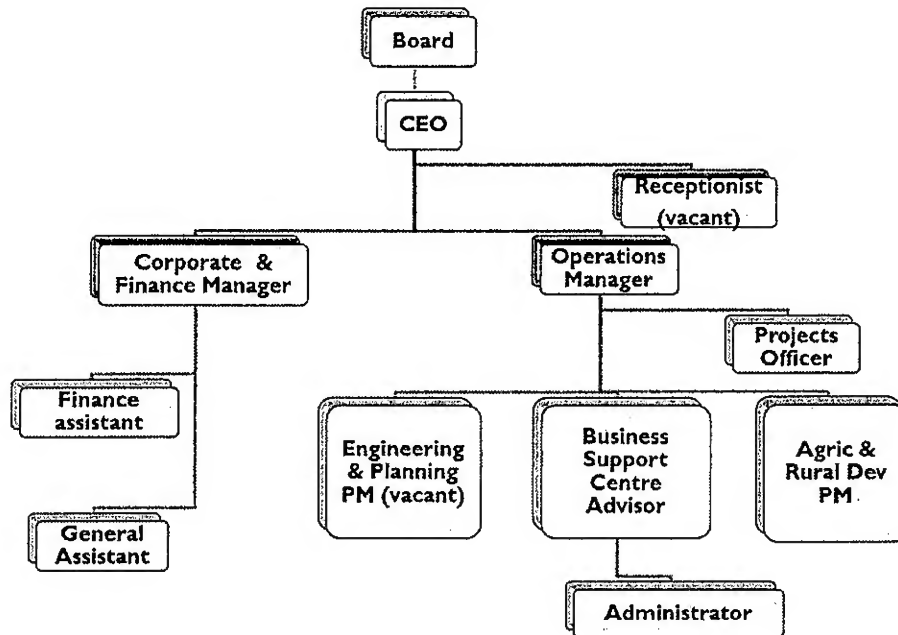
| | | | | | |
|----|-----------------------------------|---|---|---|----|
| 5. | Registration of SMMEs on E-filing | 5 | 3 | 3 | 12 |
|----|-----------------------------------|---|---|---|----|

SMME training focused on the following areas:

- Financial Management for SMMEs
- NHBRC workshop
- Pricing and Costing
- Governance for cooperatives
- Record keeping
- Cement block manufacturing

6. ORGANISATIONAL MANAGEMENT AND HUMAN RESOURCES REPORT

6.1 Organisational Structure



The operations of the Nkonkobe Economic Development Agency are run by the CEO and his staff with the Board of Directors exercising oversight.

6.2 Legislative Framework

NEDA is governed by the principles of the legislative framework within which it operates. This includes adherence to:

- The Constitution (1996),
- Local Government: Municipal Structures Act (1998) (MSA),
- Local Government: Municipal Systems Act (2000), (MSA),
- Local Government: Municipal Planning and Performance Regulations (2001),
- Local Government: Municipal Finance Management Act (2003) (MFMA),
- Local Government: Municipal Systems Amendment Act (2003),
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006),
- MFMA Circular 11 (Annual Report Guidelines),
- MFMA Circular 13 (SDBIP), and

- MFMA Circular 32 (Oversight Report)

6.3 Staff

| Levels | Male | Female |
|-----------------------------|------|--------|
| Executive | 1 | |
| Senior | - | 1 |
| Middle Management | 2 | |
| Coordination/administration | 1 | 2 |

NEDA staff comprises three females and four males. The CEO position was finally filled towards the end of 2012/13. The position of the Receptionist and the Engineering and Project Manager remain vacant due to financial constraints. The position of manager operations became vacant during the last month of the 3rd quarter.

6.4 Staff development

During the year under review, 40% of NEDA staff underwent training. One staff member underwent training in stakeholder mobilisation in order to ensure NEDA stakeholders and partners are brought on board in all our projects. Furthermore the same staff member underwent training on natural resource management in order for NEDA to streamline environmental sustainability of our agriculture and agro-processing programmes. Another staff member underwent training in financial management to augment the NEDA's financial management capability. Another NEDA staff member underwent training in Project Management to build our capacity in project execution and ensure that we are prepared for an increase in the number of projects under implementation.

NEDA strategy workshop was held and focussed on the supply chain and Human Resources Management to ensure that staff are aware of the policies and can also contribute to the improvement of working conditions. NEDA continued to partner with the parent municipality on trainings focussing on the Supply Chain procedure manuals and other related policies. A further staff member is undergoing training in management and administration in order to broaden our projects support capacity as our projects portfolio expands.

| Training Institution | Area of training | Staff (Male) | Staff (Female) | Position |
|--|--------------------------------------|--------------|----------------|-----------------------|
| Fort Hare | Financial Management | - | 1 | Senior Management |
| Fort Hare | Project Management | 1 | - | Middle Management |
| Nelson Mandela Metropolitan University | Stakeholder mobilisation | 1 | - | Middle Management |
| Secelo Consulting | Sustainable Soil/resource management | 1 | - | Middle Management |
| UNISA | Public Administration | 1 | - | Projects Coordination |
| South African Planning Council (SAPI) | SPLUMA | 1 | | Executive |

| | | | |
|-----------|--------------------|---|--------------------------|
| Fort Hare | Project Management | 1 | Projects Coordination |
|-----------|--------------------|---|--------------------------|

6.5 Financial disclosure

| Description (R'000) | Executive | Senior management | Middle management | Coordination | TOTAL |
|---------------------------------|-----------|-------------------|-------------------|--------------|-----------|
| Salaries and Wages | | | | | |
| Normal | 817 713 | 730 683 | 720 249 | 472 637 | 2 741 282 |
| Leave paid | - | - | - | 3 135 | 3 135 |
| Overtime | - | - | - | - | - |
| Staff and company contributions | - | - | - | - | - |
| Pensions | - | - | - | - | - |
| Medical aid | - | 16 178 | 20 520 | 27 360 | 64 058 |
| Other | - | - | - | - | - |
| Allowances | - | - | - | - | - |
| Travel and vehicle | 32 897 | 15 239 | 131 432 | 4 925 | 184 493 |
| Cell phone | - | - | 6 000 | - | 6 000 |
| Other | - | - | - | - | - |
| Housing benefit and allowances | - | - | - | - | - |
| Loans and advances | - | - | - | - | - |
| Other benefits and allowances | - | - | - | - | - |
| Bonus and leave | - | - | - | - | - |
| Arrears owed to municipality | - | - | - | - | - |

6.6 Board of Directors

The NEDA Board of Directors comprises:

- Ms. F. Maqwati (Acting Chairperson)
- Mr. M. Pebane
- Ms. V.V. Nkomana
- Mr. M. Nyweba

The Board of Directors oversees NEDA, and:-

- Ensures that there is effective, transparent, accountable and coherent corporate governance;
- Conducts effective oversight of the affairs of the Company;
- Ensures that NEDA and the Municipality comply with all applicable legislation and agreements;
- Communicates openly and promptly with the Municipality, while operating in good faith.

A director must:-

- disclose to the Board of Directors, and to the representative of the Municipality, any direct or indirect personal or business interest that the director or his or her spouse or partner may have in any matter before the board, and must withdraw from the proceedings of the board when that matter is considered, unless the board decides that the director's direct or indirect interest in the matter is trivial or irrelevant; and
- at all times act in accordance with the Code of Conduct for directors.
- Issuing a formal warning to the Director;
- Reprimanding the Director;
- Fining the Director; or
- Recommending to the Municipality that the Director be removed or recalled in terms of section 93(G) of the Municipal Systems Act.
- The Board of Directors shall be responsible for the appointment of the Chief Executive Officer and other staff members of the company.
- The Board of Directors shall ensure that the Chief Executive Officer fully reports to it and effectively discharges his/her responsibilities as Chief Executive Officer of the company, and remains fully accountable to the Board of Directors.

During the period under review, the Directors attended both normal and special meetings, as disclosed below:

| Board member | Term | Board meetings attended | Special meetings | board | Director fees |
|-------------------|-----------|-------------------------|------------------|-------|---------------|
| F Maqwati | Full year | 2 | 4 | | 45 620 |
| M Pebane | Full year | 2 | 4 | | 31 421 |
| MM Nyweba | Full year | 2 | 2 | | 30 147 |
| VV Nkomana | Full year | 1 | 1 | | 21 080 |

7.1 Introduction and legislative requirements

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure PERFORMANCE efficiency and effectiveness and the impact of service delivery by the municipality. Therefore, performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organization and its employees, are met.

At local government level performance management is institutionalized through legislative requirements on the performance management process for Local government.

The Constitution of the Republic of South Africa 1996, section 152, and dealing with the objectives of local government paves the way for performance management with the requirements of an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:









- The promotion of efficient, economic and effective use of resources;
- The accountable public administration;
- To be transparent by providing information;
- To be responsive to the needs of the community; and
- To facilitate a culture of public service and accountability amongst staff.

In view of the foregoing, the Municipal Systems Act 2000 (Act 32 of 2000), requires municipalities and municipal entities to establish a performance management system. Further, the Municipal Systems Act 2000 and the Municipal Finance Management Act 2003 (Act 53 of 2003) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the predetermined objectives.


Moreover, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 indicates that *"A Municipality's Performance Management System or that of its entity entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement will be conducted, organized and managed, including determining the roles of the different role players"*. Performance management is not only relevant to the Agency as a whole, but also to the individuals employed in the agency, as well as, the external service providers and the municipality through which the entity reports to. This framework, *inter alia*, reflects the linkage between the strategic objectives of the entity, Budget, SDBIP and the individual performance.


The Local Government: Municipal Systems Act 2000 (Act 32 of 2000) requires municipalities to prepare a performance report reflecting the performance of the municipality during that financial year, a comparison of the performance with targets set for and performance in the previous financial year and measures taken to improve performance. An attempt has been made to comply with these prescripts in terms of the structure and content of the report. It should also be clear, however, that the report focuses on the activities regarded as significant for the pursuit and attainment of [the] Nkonkobe Economic Development Agency objectives and targets set out in the predetermined objectives.




Key: Snap assessment on likelihood of achieving annual target

| | |
|---|--|
|  | Annual Target Exceeded |
|  | Meeting target |
|  | Annual target in progress / Proceeding well target will be met |
|  | Under achieving on target. More work is needed |
|  | On Hold /No funding |
|  | Assessment not possible to determine at this stage |
|  | Target under construction /Construction of new Target |
|  | Target to be Revised and or Target Reviewed (motivation to be provided in general comments) |

25



| | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|
| Unlocking local investment | | | | | | | | | |
| To facilitate private and public sector investments | | | | | | | | | |
| By regenerating neighbourhoods in Towns and | | | | | | | | | |
| Town and village neighbourhoods development business plan for Nkonkobe | | | | | | | | | |
| No budget required | | | | | | | | | |
| | | | | | | | | | |
| Business plan developed for NEDA programmes. | | | | | | | | | |
| 1 town and village neighbourhood development implemented | | | | | | | | | |
| <u>Achieved</u> | | | | | | | | | |
| Implementation of 1 (one) EPWP project | | | | | | | | | |
| EPWP reports | | | | | | | | | |
| <u>Achieved</u> EPWP project implemented on behalf of the municipality and Dept of Public Works at the Alice Gateway (52 job opportunities created). | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
|  | | | | | | | | | |
| P Dongi | | | | | | | | | |


| | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|
| Enterprise development and support | | | | | | | | | |
| To enhance spatially equitable | | | | | | | | | |
| By facilitating the development of | | | | | | | | | |
| 1 mixed use development plan | | | | | | | | | |
| R 400 000 | | | | | | | | | |
| R6 000 | | | | | | | | | |
| MOU between the department of | | | | | | | | | |
| Funding for a mixed use development secured | | | | | | | | | |
| <u>Achieved</u> : Human settlements dept was committed funding for a study as well as private sector investor | | | | | | | | | |
| Invite proposals private sector investors | | | | | | | | | |
| Expression of interest advert for partnership | | | | | | | | | |
| <u>Achieved</u> : Expression of interest Advert placed in the Daily Dispatch | | | | | | | | | |
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| K Jili | | | | | | | | | |

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|--|---|---|
| Financial Management | | Supply Chain Management |
| To ensure timeous financial reporting and compliance | | Ensure effective implementation of SCM policy |
| By developing and maintenance of compliance | | By complying with prescribed legislative |
| Compiling and submitting Annual Financial Statements (12/13) to AG by 31 August 2014 | Submitting (12) s71 reports are submitted to NT by no later than the 10th working day | 4 supply chain reports to the board |
| Ops budget | Ops budget | Ops budget |
| R0 | R0 | R0 |
| Achieved | Achieved | Achieved |
| Compiling and submitting Annual Financial Statements (12/13) to AG by 31 August 2014 | Submitting (12) s71 reports are submitted to NT by no later than the 10th working day | 4 supply chain reports to the board |
| <u>Achieved</u> | <u>Achieved</u> | <u>Achieved</u> |
| not set as target | Submission of s71 reports to Treasury by no later than 10th working day. | Supply chain report for quarter |
| | Correspondence (email), Copies of s71 reports to Treasury | Copy of SCM report to board, Board minutes |
| | <u>Achieved</u> | <u>Achieved</u> |
| | | |
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|  |  |  |
| N Ketwa | N Ketwa | N Ketwa |

| Priority area | Strategic objective(s) | Strategy | KPI | Budget | Amount used | Baseline 2013/14 | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Targets not met during the financial year | Reasons for variances | Remedial Action | Achieved or not achieved | Indicated or Custodian |
|---------------|------------------------|----------|-----|--------|-------------|------------------|---------------|--------------------|------------------|--------------------------|--------------------|---|-----------------------|-----------------|--------------------------|------------------------|
|---------------|------------------------|----------|-----|--------|-------------|------------------|---------------|--------------------|------------------|--------------------------|--------------------|---|-----------------------|-----------------|--------------------------|------------------------|

KPI 4: INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

| | | | | | | | | | | | | | | | | |
|-------------------|---|--------------------------------------|---|------------|---------|-------------------------------------|---|--------------|---------------------------------------|--|--|--------------|--|--|--|--------|
| | | | | | | | | | | | | | | | | |
| Capacity Building | To ensure all employees, are capacitated to fulfil the NEDA strategy objectives | By implementing personal development | All NEDA staff to have PDPs. | R 210 000 | R60 000 | All NEDA staff have PDPs, job | Implementation of personal development plans (PDPs) for all staff members | Achieved | 1 (one) PDP implemented | Financial reports, copy of course content, attendance registers where applicable | Achieved; 4 staff member attended (Ms Jabane, Mr Blay, Mr Dongl, Ms Ketwa) | | | |  | M Mali |
| | | By conducting Policy Induction for | 2. Number of policy induction workshops to be conducted | Ops budget | RO | 2 (two) policy induction and review | 2 annual Policy Induction sessions for staff | Not Achieved | 1 policy induction and review session | Attendance registers, | Not Achieved | Not Achieved | The strategic planning session was held and replaced one policy session because the strategy | Policy review session to be held in the 2nd quarter of 2015/16 |  | M Mali |

| | | | | | | | | | | | | | | | | |
|---|--|---|-----------------------------------|------------|-------------|--|---|--------------------|--|--------------------------|--------------------|--------------------------------------|--|--|--|-----------------------|
| KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | | | |
| Priority area | Strategic objective(s) | Strategy | KPI | Budget | Amount used | Baseline 2013/14 | Annual Target | Annual Performance | Quarter 4 Target | Quarter 4 Audit Evidence | Actual Performance | Target met during the Financial Year | Reasons for variances | Remedial Action | Achieve or not achieved | Indicate or Custodian |
| Record and knowledge Management | Effective Document Management System and | By implementing regulations of the national | Improved Record Management System | Ops budget | R0 | New NEDA registry established, Service | Implementation of regulations of the national archives and records service of South Africa Act (2002) | Not Achieved | Application of records management policy | Photographs | Not Achieved | Not Achieved | Target was not met due to budget constraints however only the burglar proof door and shelving are outstanding. | Registry to be completed in the 2nd quarter of financial year. |  | K Jili |
| | | | | | | | | | | | | | has major implications for our policies | | | |

IDP and Performance management

To ensure an effective developmental planning by 2017

By aligning NEDA strategy and parent municipality's development

Improved,
aligned and
efficient
reporting
by NEDA

Ops budget

R0

NEDA strategy developed, quarterly performance reports submitted

Effective
developme
ntal
planning

Achieved


Quarterly
performance
reports
with POE

Copy of
quarterly
reports

Achieved



K Jill

| | |
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| Governance Oversight | |
| To promote effective and inspiring governance and efficiency of the | |
| By holding 4 board meetings | |
| An effective oversight role of the NEDA board | |
| R 168 536 | |
| R168 000 | |
| 4 ordinary board meetings and 3 special board meetings were held | |
| Effective and inspiring governance and efficiency of the institution. | |
| Achieved | |
| 1 ordinary board meeting | |
| Attendance register, | |
| Achieved | |
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| M Mail | |





Nkonkobe Economic Development Agency

Audit Report

For the year ended 30 June 2015

Report of the auditor-general to the Eastern Cape Provincial Legislature and the Council of the Nkonkobe Municipality on the Nkonkobe Economic Development Agency

Report on the financial statements

Introduction

1. I have audited the financial statements of the Nkonkobe Economic Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the separate statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa 2003 (Act no: 56 of 2003) (MFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nkonkobe Economic Development Agency as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2015 in the financial statements of the Nkonkobe Economic Development Agency at, and for the year ended, 30 June 2014.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the Nkonkobe Economic Development Agency for the year ended 30 June 2015:
- KPA 1: Local economic development
 - KPA 5: Good governance and public participation
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any findings on the usefulness and reliability of the reported performance information for the selected programmes.

Additional matter

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

16. Refer to the annual performance report on pages x to x for information on the achievement of the planned targets for the year.

Compliance with legislation

17. I performed procedures to obtain evidence that the Nkonkobe Economic Development Agency had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements


18. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, and disclosure item identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.
19. The annual return for the year 2014-15 was not filed with the Commissioner of the Companies and Intellectual Property Commission, as required by section 33 of the Companies Act and prescribed in Companies Regulations 30(1).

Procurement and contract management

20. The municipality did not implement an SCM policy as required by section 111 of the MFMA.

Audit committee

21. The audit committee did not advise the board of directors on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.

- 
- 22. The audit committee did not advise the board of directors on matters relating to internal financial control and internal auditing and accounting policies, effective governance as required by section 166(2)(a) of the Municipal Finance Management Act.
 - 23. The audit committee did not advise the board of directors on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the Municipal Finance Management Act.
 - 24. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

Internal control

- 25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the financial statements and the findings on non-compliance with legislation included in this report.

Leadership

- 26. Although leadership exercised adequate oversight over performance management, there was insufficient monitoring and oversight in respect of financial management and compliance with laws and regulations. In addition, the leadership did not address and monitor all internal control deficiencies that were identified by the external auditors in the prior year resulting in recurring findings in the current year.



Financial and performance management

- 27. Management has not adequately reviewed the financial statements prior submission for audit purposes, resulting in material misstatements being identified during the audit, which were subsequently corrected by management.
- 28. Management did not put sufficient policies in place to detect non-compliance with laws and regulation, as described earlier on this report.

Governance

29. The audit committee and internal audit unit did not take sufficient action to ensure that the risks relating to the monitoring and reporting of financial information and compliance were addressed.

Auditor General

East London

30 November 2015



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

| NKONKO MUNICIPALITY AUDIT ACTION PLAN - 2014-2015 | | | | | | | |
|---|-------------------------------------|----------------------------|------------|----------|---------------------------------|-----------------|----------|
| AUDIT FINDING | PROGRESS REPORT | IMPACT ON THE AUDIT REPORT | START DATE | END DATE | RESPONSIBLE OFFICIAL | ACTION REQUIRED | COMMENTS |
| 1 | Property, plant and equipment | Basis for qualification | | | CFO | | |
| 2 | Irregular expenditure | Basis for qualification | | | CFO | | |
| 3 | Investment property | Basis for qualification | | | CFO | | |
| 4 | Bulk purchases | Basis for qualification | | | CFO | | |
| 5 | General expenses | Basis for qualification | | | CFO | | |
| 6 | Cash flow statement | Basis for qualification | | | CFO | | |
| 7 | Inventory | Basis for qualification | | | CFO | | |
| 8 | Payables from exchange transactions | Basis for qualification | | | CFO | | |
| 9 | Repairs and maintenance | Basis for qualification | | | CFO | | |
| 10 | Misstatements | Emphasis of matters | | | CFO | | |
| 11 | Unauthorised expenditure | Emphasis of matters | | | CFO | | |
| 12 | unaudited disclosure notes | Emphasis of matters | | | CFO | | |
| 13 | Fruitless and Wasteful Expenditure | Emphasis of matters | | | CFO | | |
| 14 | Audit committee | Other important matters | | | MM | | |
| 15 | Internal Audit | Other important matters | | | MM | | |
| 16 | Procurement and Contract Management | Other important matters | | | CFO | | |
| 17 | Human resource | Other important matters | | | Snr Manager: Corporate Services | | |
| 18 | Expenditure Management | Other important matters | | | CFO | | |
| 19 | Asset Management | Other important matters | | | CFO | | |
| 20 | Liability management | Other important matters | | | CFO | | |
| 21 | Consequence management | Other important matters | | | Snr Manager: Corporate Services | | |
| 22 | Strategic and performance | Other important matters | | | MM | | |
| 23 | leadership | Other important matters | | | MM | | |
| 24 | Governance | Other important matters | | | MM | | |
| 25 | Performance audit committee | Other important matters | | | MM | | |

CHIEF FINANCIAL OFFICER

Date:

21/01/2016

MUNICIPAL MANAGER

Date:

21/01/2016

The municipality did not accurately record all general expenses related to the financial year as supplier invoice did not agree to recorded values in the general

The municipality did not recognise all general expenses relating to the financial year in the financial statements of the municipality.

Inadequate VAT experience within the capturing department.

Inadequate execution and review of cutoff procedures.

Lack of capacity within the finance department.

| 1 | 2 | 3 | 4 | 5 |
|--|--|---|---|---|
| Capacitate departments involved in the capturing of payments through vat training | SCM Staff and Senior Accountant | | | |
| Monthly review of processed transactions to ensure that vat has been correctly accounted for. | Senior Accountant and Chief Accountant | | | |
| Perform monthly reconciliations between supplier invoices/statements & the general ledger to ensure expenses recorded are accurate | Senior Accountant and Chief Accountant | | | |
| 0 | 0 | | | |
| 0 | 0 | | | |

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1 Supporting evidence for the cash flow statement, in both the current and corresponding financial years, was not available and no alternative audit procedure were possible

inadequate review of lead schedules.

1 all correcting journal entries to be processed

Senior Accountant, Chief Accountant, CFO

2 A revised cashflow statement to be prepared.

Senior Accountant, Chief Accountant, CFO

3 Management will ensure that the annual financial statements are reviewed by chief financial officer to identify pertinent omissions and errors before submission of the annual financial statements for review by the audit committee and for audit purposes.

CFO and Internal audit

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The financial statements as a whole were materially misstated due to the cumulative effect of individually immaterial uncorrected misstatement making up the statement of financial position.

Inventory was understated by R1.8mill

Inadequate reconciliation procedures performed

1 We no longer have inventory and the stores are closed

CFO and MM

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| Payables from exchange transactions and the related expenditure were overstated by R 2 million | | | |
| Sufficient audit evidence could not be obtained due to poor document management | | | |
| As a result of the municipality not having adequate systems to identify and account for expenditure in accordance with GRAP 1. Inadequate document management | | | |
| 1 | This has been resolved and should not form part of the report, relating to bulk purchases | 1 | |
| 2 | Review invoices before recording to ensure they are recorded in the correct period | 2 | Senior Accountant and Chief Accountant |
| 3 | Management will implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting. | 3 | CFO |
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Sufficient appropriate audit evidence was not submitted to substantiate repairs and maintenance

1 Management is unaware of this finding, and has first interacted with it on the audit report. Further detail has been requested from the Auditor General.

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| The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements. | | |
| Inadequate supporting documents relating to an amount disclosed as cash and cash equivalents amounting to R805 740 | | |
| Incorrect allocation of an uncleared suspense account. | | |
| 1 | Management ensure that financial statements are adjusted for prior year uncorrected misstatements. | 1 Senior Accountant, Chief Accountant an CFO |
| 2 | Management will ensure that suspense accounts are cleared on a monthly basis and that are correctly classified. | 2 Chief Accountant and CFO |
| 3 | Review of uncleared suspense account on Quarterly basis | 3 Chief Financial Officer |
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| 0 | | 0 |
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Expenditure was not adequately budgeted for over expenditure on non-cash items

| 2010-2011 Budgetary Budget | |
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Non compliance with section 125(2)(e) of the MFMA, The municipality did not disclose particulars of non-compliance with the MFMA

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| 1 | Management will ensure that the municipality comply with all sections of applicable legislation. | 1 | Chief Financial Officer |
| 2 | Where non compliance has been found, this will be disclosed | 2 | Chief Financial Officer |
| 3 | Management will ensure that the annual financial statements are reviewed by senior management. Upon completion of the annual financial statements, the chief financial officer and internal audit unit will review the annual financial statements to identify pertinent omissions and errors before submission of the annual financial statements for review by the audit committee and for audit purposes. | 3 | Chief Financial Officer and Internal Audit Unit |
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Fruitless and wasteful expenditure of R1,1 million was incurred by the municipality during the year ended 30 June 2015. This was as a result of interest and penalties charged on the late payments made by the municipality.

The municipality did not make payments within the legislated 30 days period after receipt of invoice
Municipal Cashflow challenges

| | | | |
|---|--|---|-----|
| 1 | Endeavour that creditors are paid within 30 days | 1 | CFO |
| 2 | Ensure that invoices are processed on receipt | 2 | CFO |
| 3 | Payments be made in accordance with the ageing of invoices as per the age analysis | 3 | CFO |
| 4 | Revenue collection Strategy | 4 | CFO |
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AC did not advise the council and account officer on matters relating to internal financial control and internal audit, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(g) of the MFMA

AC did not advise the council and account officer on matters relating to adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(h) of the MFMA

AC did not report to the council on the issues raised in the audit reports of the Auditor General as required by section 166(2)(c) of the MFMA

The Audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA

The AC could not quorate as required by their charter for each meeting due to resignation of two members of the committee, IA plan not aligning with the requirements of sec 165 of MFMA, AC meeting schedules coincide with municipal activities

| | | | |
|---|---|---|---|
| 1 | The internal audit plan which informs the oversight role played by the AC committee has been amended to align key focus areas to those required by sec 165 of the MFMA. The audit of Financial Management control and financial reporting has been included in the current financial year in order to enable the committee to provide adequate advice on issues relating to financial control and reporting. A reporting template which include components of circular 65 of the MFMA has been developed and thus assessment have been by the committee and they observations and recommendation will be reported to council in | 1 | 1. IA Plan 2. Internal audit staff 3. Audit Committee |
| 2 | The internal audit plan has been amended to align key focus areas to those required by sec 165 of the MFMA. The audit of Financial Management control and financial reporting has been included in the current financial year in order to enable the committee to provide adequate advice on issues relating to financial control and reporting. This audit is envisaged to commence in March 2016 | 2 | 1. IA Plan 2. Internal audit staff 3. Audit Committee |
| 3 | A report responding to AG finding is prepared and thus will be tabled to the council dated February 2016 together with the AC mid-year progress report as required by Sec 166(2) , commitments made to address such finding will be report on quarterly by the committee and thus the committee yearly will be assessed by the council on such key performance responsibilities. | 3 | 1. IA Plan 2. Internal audit staff 3. Audit Committee 4. AG report |
| 4 | A schedule of planned meetings integrated into the council approved calendar has been prepared and approved. This is done for the purpose of ensuring that programmes of the AC work in tandem with those of the administration. Provision in the approved calendar has also been of special AC meetings . | 4 | 1. Calendar of meetings |
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The internal audit unit did not function as required to report to the audit committee on the implementation of the internal audit plan and it did not advise the accounting

Resource allocation imbalance to execute the plan, non quorating AC

| | | | |
|---|--|---|---|
| 1 | The internal audit plan which informs the oversight role played by the AC committee has been amended to align key focus areas to those required by sec 165 of the MFMA. A standard agenda on items to be reported by the IAU is developed, this talks to the pre-requisites of section 165 of the MFMA in terms of the responsibilities of the IAU. The IA Plan has been amended to include high risk areas and AG risk findings on internal control deficiencies. Internal audit sit a formal meeting every quarter with the Accounting Officer to discuss internal | 1 | 1. IA Plan 2. Internal audit staff 3. Audit Committee |
| 2 | The amendment was informed among the few by imbalance between risk areas coverage and the resource allocation of the IAU, therefore management committed to source IAU with interns so as to enable fulfillment of the approved plan. The Interns will source before the end of February 2016. A proposal and development plan for the interns will be tabled to Accounting Officer for approval and implementation by the 31 of January 2016 | 2 | 1. IA Plan 2. Internal audit staff 3. Audit Committee |
| 3 | | 3 | |
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Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislation requirements and a procurement
Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days as
Non compliance with SCM regulation 21(b) and 28(1)(a) and Preferential Procurement Regulations.

Non compliance with SCM regulation 29(2) - Bid Adjudication was not always done by committees which were composed in accordance with SCM Regulation
Construction projects were not always registered with the Construction
Industry Development Board (CIDB), as required by section 22 of the
CIDB Act and CIDB regulation 18.

Non compliance with SCM Supply chain policy

Poor Document management

No system in place to detect service providers in the service of the state

SCM policy was not specific enough to address the composition and quorum of bid adjudication committee

Poor Procurement Planning

1 Winning contracts and losing bidders are kept at a fire proof safe at
BTO

2 Accounting Officer to appoint bid adjudication members according to
SCM regulation 29(2)

3 Municipality has procured a system to detect service providers who
are in the service of the state.

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Contracts management staff

Appointment letters

SCM staff

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Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure
Money owed by the municipality was not always paid within 30 days

| 1 | | 1 | Senior Accountant |
|---|--|---|--------------------------|
| 2 | Payments be made in accordance with the ageing of invoices as per the age analysis | 2 | CFO and Chief Accountant |
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An effective system of internal controls for assets was not in place

Inadequate internal controls on Asset Management
Capacity Constraints

1 Management will implement a document management system

0 Review of existing policy and Framework to align to GRAP Standards

0 Capacitate existing staff through training

CFO

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CFO

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CFO

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An effective system of internal control for liabilities was not in place
inadequate review of lead schedules.

1 Management will ensure that the annual financial statements are reviewed by chief financial officer to identify pertinent omissions and errors before submission of the annual financial statements for review by the audit committee and for audit purposes.

CFO

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The performance management system and related controls were inadequate as it did not describe and represent the process of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed

| 1 | Management to ensure that the Engineering Department before commencement of projects, with detailed planning will be done and timelines for the project. Report on each project will be done by the Senior Manager in Management Meetings | 1 | Senior Manager Engineering, Chief Financial Officer, Acting Municipal Manager |
|---|---|---|---|
| 2 | | 2 | |
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The financial statements were subject to material adjustments that were not detected by management

The municipality did not have a proper system of record management that provided for the maintenance of information to be reported in the annual

The municipality's compliance monitoring process was not effective in the implementation and monitoring of controls to ensure that non-compliance with its laws and

1 Management will ensure that all files are kept safe and updated. All these files will be accessible when required.

All Senior Managers, Acting Municipal Manager

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The leadership did not implement adequate controls to ensure that the financial statements submitted for auditing did not contain material errors and non compliance
Slow response to audit messages and effective leadership remain a challenge
Oversight responsibilities regarding the monitoring of internal controls over financial reporting and compliance with applicable laws and regulations were not adequate

| | 1 | 2 | 3 | 4 | 5 |
|---|---|--------------------------|---|---|---|
| 1 | Management will continue to capacitate the finance department from internal staff through to external resources used to ensure that AFS progress to a state that are free of material errors. | CFO, Acting MM | | | |
| 2 | Management will ensure that all enquiries from the Auditor General are address timeously. Technical Meetings will still be convened weekly during the audit process. | Acting Municipal Manager | | | |
| 3 | Management will ensure that Internal Audit do follow up reviews on findings previously raised to ensure internal controls are monitored. | Management | | | |
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Ineffective of Audit Committee in strengthening the control environment within the municipality

Recurring findings on financial reporting, performance reporting and compliance matters were identified during the audit process

1 Management to ensure that all recurring findings are addressed.

All Senior Management

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The performance audit committee did not review all the quarterly internal report on performance measurement
 The performance audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to
 The performance audit committee did not meet, at least twice during the financial year, as required by law

PAC could not quorate in order to convene a meeting

| | | | |
|---|--|---|--|
| 1 | The audit committee which fulfils the role of performance audit committee did not have the prerequisite number of members to meet quorum although verification of performance measurement was done by internal audit and reported to management. Succession plan in the case of termination/ resignation of contract was not in place, the terms of reference for the committee has since been amended to give allowance for each member to serve for three months upon resignation this will allow the municipality ample time to source the required service. the Performance AC sits quarterly to engage PMS matters and advice administration on such issues | 1 | 1. Internal audit staff 2. PMS reports 3. Performance Information POES |
| 2 | A report is prepared and integrated with the Audit Committee report and will be tabled on the next ordinary council in February 2016, the committee has assessed the first quarter performance reported and is in a process of reviewing the second quarter. this report includes both quarters and advice council on matters of assessment of section 57 managers, underachievements against set targets and effective PMS | 2 | |
| 3 | The audit committee which fulfils the role of performance audit committee did not have the prerequisite number of members to quorate although verification of performance measurement was done by internal audit and reported to management. Succession plan in the case of termination/ resignation of contract was not in place, the terms of reference for the committee has since been amended to give allowance for each member to serve for three months upon resignation this will allow the municipality ample time to source the required service. the Performance AC sit quarterly to engage PMS matter and advice administration on such issues | 3 | 1. AC Terms of reference 2. calendar of meetings 3. IA staff |
| 4 | | 4 | |
| 5 | | 5 | |

| | |
|---|--|
| 1 | Performance Audit committee has sat two meeting from the last reporting date |
| 2 | The PAC has assessed performance plans of Section 57 Managers for alignment with the pre requisite statutes. |
| 3 | The PAC has assessed and reported on the alignment of IDP, SDBJP and budget through internal audit reports |
| 4 | the PAC has verified the quarterly performance information through internal audit reports |
| 5 | |

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON THE ANNUAL REPORT 2014/2015

1. PURPOSE

The purpose of the report is to table before Council the Oversight Report and provide comment and recommendations to Council on the Annual Report for the financial year ended June 30, 2015, as required in terms of section 129 of the Local Government: Municipal Finance Management Act 2003 (Act 53 of 2003).

2. BACKGROUND

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Local Government: Municipal Structures Act 1998 (Act 117 of 1998) a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members. Furthermore Section 79 (2) of the Municipal Structures Act, 1998 provides the framework and guidelines within which such committees of council shall operate.

During the 2009 Association of Public Accounts Committee (APAC) Conference a resolution was taken stating that the Conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the country as part of improving financial management and accountability at local level.

Thus in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance and Traditional Affairs having consulted the National Treasury and SALGA, has instructed that all municipalities establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.

Section 129 of the Local Government: Municipal Finance Management Act 2003 (Act 55 of 2003) requires that, **“the Council of a Municipality.... by no later than two months from the date on which the Annual Report was tabled in Council in**

terms of section 127 [of the same Act], must adopt an Oversight Report containing Council comments of the Annual Report.....”

The 2014/2015 Annual Report was tabled to Council on the 27 January 2016 in compliance with Section 127 (2) of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) for both Nkonkobe Municipality and its entity, Nkonkobe Economic Development Agency (NEDA).

Thereafter, the report was subsequently presented to Municipal Public Accounts Committee to consider and make recommendations to Council.

PROCESS FOLLOWED

Subsequent to the consideration of the draft annual report by Council in January 27, 2015, the Accounting Officer made public the Annual Report, and invited the public to submit comments with 21 days from the date of the publication.

The MPAC prepared an oversight programme and made public the dates and venues of the public seatings of the committee. In considering the Annual Report, the Committee assessed the following documents:

- Nkonkobe Local Municipality Annual Report 2014/15
- Nkonkobe Economic Development Agency Annual Report 2014/15

The Municipal Public Accounts Committee met on the following dates to consider the annual report for the compilation of the oversight report:

On the 8th of February 2016, the Committee held its preparatory meeting, on the 10th of February 2016 had a meeting with the Mayor and Municipal Manager and on the 15th March 2016 had a session with Audit Committee Acting Chairperson.

Further to that public hearings were held to allow the Mayor to present to public the annual report for their comments

| DATE | VENUE | TIME |
|------------|---------------------------|-------|
| 17/02/2016 | BALFOUR COMMUNITY HALL | 10H00 |
| 18/02/2016 | TRUST NO.2 COMMUNITY HALL | 10H00 |
| 02/03/2016 | EMAKHUZENI COMMUNITY HALL | 10H00 |

REVIEW / ANALYSIS OF ANNUAL REPORT

2.1 PERFORMANCE MANAGEMENT SYSTEM

Performance Report was not compiled in terms of section 46 of MSA (i.e. no performance of service providers, ii audit committee not part of action plan, iii assessment by MM on areas, taxes & service fees, not included on annual report i.e. sec 121 MFMA).

4.2 AUDIT ACTION PLAN

Audit action plan completed without a member of audit committee, and was not checked by audit committee before tabled to council.

CHALLENGES

1. Audit committee recommendations not part of annual report
2. MPAC road shows do not reach every ward of Nkonkobe, only clustered wards
3. Communities does not know difference between MPAC road shows (annual report) and IDP road shows
4. Couldn't get 2014/2015 report on projects
5. Couldn't get these reports although Mayor and MM, promised when interviewing them.

3. LEGAL IMPLICATIONS

Section 121 & 129 of the Local Government: MFMA
 Section 46 of the Local Government: Municipal Systems Act, No. 32 of 2000 as amended

4. FINANCIAL IMPLICATIONS

R16 000.00

5. RECOMMENDATIONS

MPAC RECOMMENDED that:

- 1) Council adopts the 2014/15 Annual Report with reservations.
- 2) Council investigates the fruitless & wasteful, irregular expenditures.
- 3) The Mayor approaches the office of the MEC for Cogta to get documentation on the expiry of acting period for acting Municipal Manager.



Province of the
EASTERN CAPE
LOCAL GOVERNMENT
& TRADITIONAL AFFAIRS

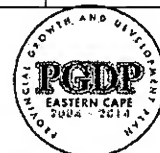
**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE ANNUAL REPORT**

The following is the list of indicators that were agreed upon and on how the performance information should be populated:-

**Chapter: Organisational Transformation and Institutional Development –
KPA 1**

Annual performance as per key performance indicators in municipal transformation and organizational development

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|---|--|---|--|--|--|
| 1 | Vacancy rate for all approved and budgeted posts; | 435 | 268 | 62% | A moratorium was issued by the MEC not to fill vacant positions due to the amalgamation of Nkonkobe and Nxuba LM |
| 2 | Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers) | 5 | 4 | 80% | |



Ikamva eliqagambileyo!

**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|---|--|--|--|--|---|
| 3 | Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY | 4 | 4 | 100% | |
| 4 | Percentage of Managers in Technical Services with a professional qualification | 4 | 2 | 50% | Still undergoing the registration process |
| 5 | Level of PMS effectiveness in the DM – (DM to report) | The Municipality reviewed and adopted its Performance Management System Policy, however the challenge is that the PMS Policy is not cascaded to levels below section 56 Managers. The Municipal Manager and s56 Managers are compelled by legislation to sign their performance agreements within 30 days of commencement of a new financial year, so as to agree on their set KPI's as they will be assessed on quarterly through the implementation of the institutional The Municipality has a functional performance audit committee which is constituted by the members of the audit committee; the two (2) committees play a significant pivotal role instigating its mandate. | | | |
| 6 | Level of effectiveness of PMS in the LM – (LM to report) | | | | |
| 7 | Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term | Skills Audit were not conducted, only departmental training needs were sourced from departments. The challenge with skills audit is the high rate of non-submission of skills audit forms to the training department. | | | |
| 8 | Percentage of councillors who attended a skill development training within the current 5 year term | 11 | 11 | 100% | |
| 9 | Percentage of staff complement with disability | | 1 | 0.3% | Non-response from disabled applicants |

**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|----|---|---|--|--|---------------------|
| 10 | Percentage of female employees | 145 (50% of the filled positions) | 111 | 38.3% | |
| 11 | Percentage of employees that are aged 35 or younger | - | 91 | 31.38% | |
| 12 | Adoption and implementation of HRD Plan including WSP | Workplace Skills Plan was adopted by Council | | | |

Chapter: Basic Service delivery performance highlights (KPA 2)

Annual performance as per key performance indicators in water services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the FY under review (actual numbers) | Number of HH/customer reached during the FY | Percentage of achievement during the year |
|---|---|---|-------------------------------------|---|---|---|
| 1 | Percentage of households with access to potable water | Water and Sanitation services are carried out by the District Municipality, Amathole. Furthermore, the Local Municipality is not eligible to report on the District functions | | | | |
| 2 | Percentage of indigent households with | | | | | |

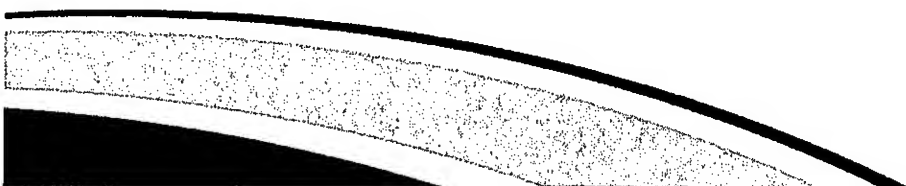
**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | | | | | | |
|---|--|--|--|--|--|--|
| | access to free basic potable water | | | | | |
| 3 | Percentage of clinics with access to potable water | | | | | |
| 4 | Percentage of schools with access to potable water | | | | | |
| 5 | Percentage of households in formal settlements using buckets | | | | | |

Annual performance as per key performance indicators in Electricity services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review (actual numbers) | Number of HH/customer reached during the FY | Percentage of achievement during the year |
|---|--|--|-------------------------------------|--|---|---|
| 1 | Percentage of households with access to electricity services | 9437 | 117 | 60 | 70 | 60% |
| 2 | Percentage of indigent households with access to basic electricity services | 5666 | 1245 | 800 | 800 | 64% |
| 3 | Percentage of indigent households with access to free alternative energy sources | 946 | NIL | 946 | 946 | 100% |

Annual performance as per key performance indicators in sanitation services

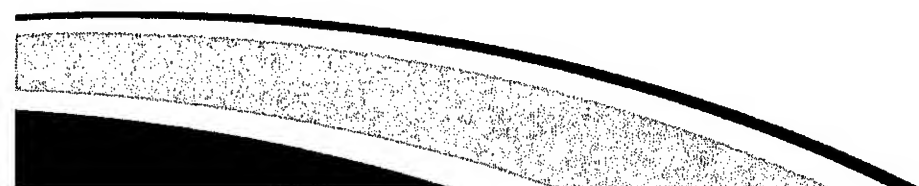


**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|---|-------------------------------------|---|-------------------------------|---|
| 1 | Percentage of households with access to sanitation services | Water and Sanitation services are carried out by the District Municipality, Amathole. Furthermore, the Local Municipality is not eligible to report on the District functions | | | | |
| 2 | Percentage of indigent households with access to free basic sanitation services | | | | | |
| 3 | Percentage of clinics with access to sanitation services | | | | | |
| 4 | Percentage of schools with access to sanitation services | | | | | |

Annual performance as per key performance indicators in road maintenance services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review (Actual | Number of HH/customer reached during the FY | Percentage of achievement during the year |
|--|----------------|--|-------------------------------------|---|---|---|
|--|----------------|--|-------------------------------------|---|---|---|

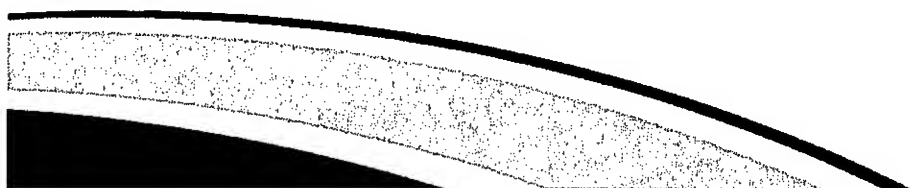


**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | | | | numbers) | | |
|---|--|--------|------------|----------|-------|------|
| 1 | Percentage of households without access to gravel or graded roads | 28 256 | 1414km | 6km | 6km | 100% |
| 2 | Percentage of road infrastructure requiring upgrade | 3564 | 182.82km | 6km | 1.5km | 25% |
| 3 | Percentage of planned new road infrastructure actually constructed | 40% | 60% | 3.6km | 3.6km | 60% |
| 4 | Percentage of capital budget reserved for road upgrading and maintenance effectively used. | 3564 | R2 832 906 | 6km | 1.5km | 25% |

Annual performance as per key performance indicators in waste management services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|---|-------------------------------------|---|-------------------------------|---|
| 1 | Percentage of households with access to refuse removal services | 7875 | 150 | n/a | 7875 | 100% |
| 2 | Existence of waste management plan | The integrated Waste Management Plan is currently at a draft phase, however the Municipality appointed a service provider (GIBB Consulting) to develop the plan. The plan underwent the policy induction phases and was submitted to the MEC for DEDEAT for comments. Once the MEC comments on the IWMP, the municipality will adopt and implement the plan | | | | |



**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

Annual performance as per key performance indicators in housing and town planning services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (Actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|---|-------------------------------------|---|-------------------------------|---|
| 1 | Percentage of households living in informal settlements | 182 | 182 | 182 | 0 | 0% |
| 2 | Percentage of informal settlements that have been provided with basic services | 182 | 182 | - | 182 | 100% |
| 3 | Percentage of households in formal housing that conforms to the minimum building standards for residential houses | 0 | 182 | 182 | 0 | 0% |
| 4 | Existence of an effective indigent policy | The municipality is having a responsibility to ensure that all indigent households within Nkonkobe jurisdiction have access to free basic services (FBS). The adopted indigent policy, whose aim is to alleviate poverty in disadvantaged communities by providing free basic electricity (of at least 50 kWh per month), and [the] solid waste management (100% subsidy to indigent households), was useful and necessary for the successful implementation of the programme. The consistent application of the indigent policy has enabled the municipality to provide free basic service to 100% of the registered indigent households in its indigent register. | | | | |
| 5 | Existence of an approved SDF | The formulation of the Spatial Development Framework [SDF] is a legal requirement, in which, every Municipality must adhere to as part of the Integrated Development Planning processes as per Section 26 of the Municipal | | | | |

**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | | |
|---|--|---|
| | | Systems Act. It is the principal instrument for accelerative planning and decision making on land development in the entire Municipal area. This framework was reviewed and adopted by Council in 2010, and it identifies certain structuring elements, such as nodal points, corridors to guide forthcoming planning in Nkonkobe Local Municipality. The municipality adopted its SDF for the financial year 2014/ 2015, and is in process of reviewing in line with the SPLUMA Regulations |
| 6 | Existence of Land Use Management System (LUMS) | The Land Use Management System is in place with Zoning as well as the Land Use Scheme for Seymour, Fort Beaufort, Alice as well as Middledrift are in place, there is a GIS based system developed with the help of Amathole Municipality in place, which provides all the necessary Spatial information that assist in Land Use management, furthermore the is a process of reviewing the information on the GIS system with the ongoing Land Use survey with the main aim of identifying zoning violations, so that the municipality can come up with ways of addressing them |

**CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK-
(KPA 3)**

Annual performance as per key performance indicators in LED

| | Indicator name | Target set for the year | Achievement level during the year (absolute figure) | Achievement percentage during the year |
|---|---|---|---|--|
| 1 | Existence of LED unit | 12 | 9 | 75% |
| 2 | Percentage of LED Budget spent on LED related activities. | 2 205 000 | 1 661 853.40 | 75% |
| 3 | Existence of LED strategy | The LED strategy which is aligned to the IDP is in place. The LED strategy was adopted in May 2012. The strategy will be reviewed in the next financial year. | | |
| 4 | Number of LED stakeholder forum meetings held | 4 | 4 | 100% |
| 5 | Plans to stimulate second economy | The informal traders were identified by the LED unit during the year under review, furthermore an informal traders forum was establish to strengthen the second economy. A budget was set aside to build hawker stalls for the current financial year, however there were financial constraints experienced | | |

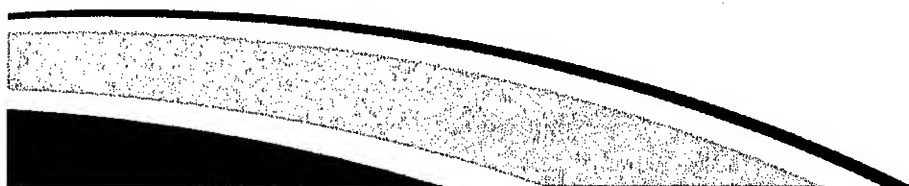
**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | Indicator name | Target set for the year | Achievement level during the year (absolute figure) | Achievement percentage during the year |
|---|--|---|---|--|
| | | by the Municipality. | | |
| 6 | Percentage of SMME that have benefited from a SMME support program | 40 local SMME's benefited from local procurement to supply and delivery. | | |
| 7 | Number of job opportunities created through EPWP | There were 299 jobs created through LED initiatives and EPWP | | |
| 8 | Number of job opportunities created through PPP | 120 temporal jobs were created through PPP (LED Projects, CBP and Co-ops) | | |

Chapter: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

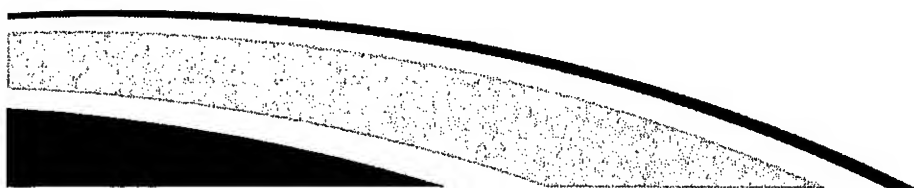
Annual performance as per key performance indicators in financial viability

| | Indicator name | Target set for the year R(000) | Achievement level during the year R(000) | Achievement percentage during the year |
|---|--|--------------------------------------|--|---|
| 1 | Percentage expenditure of capital budget | R 45 617 | R 38 387 | 84% |
| | | Target set for the year (35%) R(000) | Achievement level during the year R(000) | Achievement percentage during the year vs the operational |



**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

| | | | | budget |
|----|--|--|---|---|
| 2 | Salary budget as a percentage of the total operational budget | | R 99 798 | 39% |
| | | Target set for the year (20% or less) R(000) | Achievement level during the year R(000) | Achievement percentage during the year vs the actual revenue |
| 3 | Trade creditors as a percentage of total actual revenue | | R 81 186 | 32% |
| | | Target set for the year (80% and more) R(000) | Achievement level during the year R(000) | Achievement percentage during the year |
| 4 | Total municipal own revenue as a percentage of the total actual budget | R83,973,262 | R75,147,676 | 89% |
| | | Target set for the year R(000) | Achievement level during the year R(000) | Achievement percentage during the year |
| 5 | Rate of municipal consumer debt reduction | 45% | 35% | 35% |
| 6 | Percentage of MIG budget appropriately spent | R 32 147 | R 25 972 | 81% |
| 7 | Percentage of MSIG budget appropriately spent | R 934 | R 934 | 100% |
| 8 | AG Audit opinion | Unqualified | Qualified | Qualified |
| 9 | Functionality of the Audit Committee | 4 | 4 | 100% |
| 10 | Submission of AFS after the end of financial year | Achieved | Achieved | Achieved |



**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

Chapter: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

| No | Indicator name | Target set for the year | Achievement level during the year (absolute figure) | Achievement percentage during the year |
|----|--|---|---|--|
| 1 | % of ward committees established | 210 | 210 | 100% |
| 2 | % of ward committees that are functional | 210 | 176 | 84% |
| 3 | Existence of an effective system to monitor CDWs | There are good working relations with CDWs as they attend ward meetings and submit reports to the Office of the Speaker and they are active in municipal activities like IDP Rep Forums and Roadshows | | |
| 4 | Existence of an IGR strategy | There is a draft IGR strategy/policy in place. The document is awaiting council adoption. | | |
| 5 | Effective of IGR structural meetings | IGR meetings seat on a quarterly basis, and have been extended to community participation. In the current financial year one meeting sat and one did not due to unforeseen circumstances. The next meeting for Quarter 3 is due to sit in March. | | |
| 6 | Existence of an effective communication strategy | The communication strategy was adopted by council in 2012 and is due for review in 2017 or after the local government elections; whichever comes first. | | |
| 7 | Number of mayoral imbizos conducted | 1 | 1 | 100% |
| 8 | Existence of a fraud prevention mechanism | This committee integrates fraud related activities and risk management mechanisms in order to ensure a preventative and proactive approach are taken in dealing with a risk prone environment. The Fraud Risk Policy approved by council with the Terms of Reference of the committee but implementation and its functionality has been stifled by a lack of a risk incline environment. As part of the Enterprise Risk Management (ERM), it is the responsibility of the Accounting Officer / Authority to establish structures to address the threat of fraud. Fraud prevention is placed under the oversight of Fraud Risk Management Committee (FRMC) which reports to the Audit Committee (AC) on risk management matters. | | |

It should also be noted that in November 2013 a circular letter was written to all municipal managers requesting them to consider incorporating these above key performance indicators to enable the annual reports to reflect on the performance information. Unfortunately this has not been considered and this resulted in the annual reports of municipalities lacking crucial performance information.

As the political head of the department I wish to request your good selves to pay close attention to the quality of the information that is provided in the reports before the adoption of annual reports. I also



**RE: REQUEST FOR THE CONSIDERATION OF KEY PERFORMANCE INDICATORS
IN THE DEVELOPMENT OF THE ANNUAL REPORT**

wish to draw your attention to the fact that these reports are the basis for me and the Minister to develop quality consolidated reports on the performance of municipalities within a financial year as stipulated in sections 47 and 48 of MSA respectively.

RECOMMENDATION

It is recommended that when municipalities develop their annual reports in accordance with circular 63, they should also consider reflecting performance information based on the indicators as advised herein. I humbly all Executive Mayors and Mayors request as political leaders in the local space, to ensure before signing off the annual reports, that these reports contain the information required in terms of the Key Performance Indicators.



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